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Changing Lanes: Intellectual Property Rights, Trade and Investment

By JULIEN CHAISSE* AND PUNEETH NAGARAJ**

Abstract: Trademarks are inherent features of transnational business transactions. From a trade perspective, a trademark is used by a business as an identification sign to distinguish its goods or services from those of its competitors. Trademarks are also a form of investment as they are valuable business assets; they can be sold or licensed. This paper provides a comprehensive analysis of the international economic rules that apply to transnational business activities requiring trademark protection. It answers the key question: What is the role of trade and investment treaties in ensuring trademarks are duly respected? The paper demonstrates that some trademark infringement is simultaneously covered by both TRIPS and IIAs. The WTO case law on the trademark is reviewed with a particular focus on the substance of the case "*United States—Section 211 Omnibus Appropriations Act of 1998.*" Then, the paper expands the analysis to investigate the role of investment treaties that often include intangible assets (and hence trademark) as a form of protected foreign investment, while the investor-state mechanism allows foreign companies to promptly sue host states. This paper explores recent regulatory and litigation experiences to show that the

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**Master in International Affairs (MIA) Cand. Graduate Institute of International and Development Studies, Geneva; (BA LLB). Hons. NALSAR University of Law, Hyderabad, India. The authors would like to thank Danny Friedmann, Emmanuel Gillet and Bryan Mercurio for comments on earlier drafts of this paper. We would like to thank the journal reviewers for their insightful comments on the paper, as these comments led us to an improvement of the work. The views expressed by the author here are personal.

fair and equitable treatment and expropriation provisions typical of investment treaties offer grounds for economic operators to have their rights protected under IIAs.

Keywords: Trademark, intellectual property rights, World Trade Organization; Investment treaties, intellectual property rights, expropriation

I. Introduction

Ever since the industrial revolution, intellectual property rights (IPRs) in their different forms—ranging from copyright, trademarks, geographical indications, industrial designs, layout designs (topographies) and integrated circuits, to patents, as well as the protection against unfair competition--have played an important role in the commercial law of industrialized countries.[1] With the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS),[2] IPRs have become a mandatory part of the WTO system, binding on all members alike and fully subject to WTO dispute settlement.[3] TRIPS, which is structurally different from any other WTO agreement, is the primary agreement harmonizing IPRs, essentially providing for minimal standards.[4]

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1. *See* Edward W. Hulme, *The History of the Patent System Under the Prerogative and at Common Law*, 12 LAW Q. REV. 141, 152 (1896). CHRISTINE MACLEOD, INVENTING THE INDUSTRIAL REVOLUTION: THE ENGLISH PATENT SYSTEM 1660–1800 12 (1988), *both cited by* Matthew Fisher, *Intellectual Property Quarterly Extracting the Price of a Patent: Enablement and Written Description*, 2 INTELL. PROP. Q. 4, 262–88 (2012). *See also*, Robert P. Merges, *Battle of Lateralisms: Intellectual Property and Trade*, 8 B.U. INT'L L.J. 239 (1990. Laurence R. Helfer, *Regime Shifting: The TRIPs Agreement and New Dynamics of International Intellectual Property Lawmaking*, 29 YALE J. INT'L L. 1, 55–61 (2004).

2. TRIPS : Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, THE LEGAL TEXTS : THE RESULTS OF THE URUGUAY ROUND OF MULTILATERAL TRADE NEGOTIATIONS 320 (1999), 1869 U.N.T.S. 299, 33 I.L.M. 1125 (1994) [hereinafter TRIPS].

3. Susan Sell, *Intellectual Property and Public Policy in Historical Perspective: Contestation and Settlement*, 38 LOY. L.A. L. REV. 267 (2004).

4. TRIPS reflects the importance of effective protection of intellectual property rights. It was argued before that this is an important ingredient of the rule of law and good governance. At the same time, the agreement emphasises that the goals of social and economic development need to be considered in shaping intellectual property regimes. The agreement seeks to carefully balance private rights and the

The effect of TRIPS on technology diffusion holds significant implications for economic growth. IPRs give businesses an incentive to invest in research and development, and ultimately lead to the creation of innovative products and processes. However, IP violation in some countries is rampant.[5] It involves, for instance, pirated CDs and DVDs, imitations of brand-name products, computer software and automobile spare parts and even involves violation of pharmaceutical IPRs (where in some cases fake drugs may harm consumers' safety).[6] Transnational investors, whose IPRs are violated by individuals located in a different state, have no recourse unless the infringement can be attributed to the actions of the host state. Under International Investment Agreements (IIAs), the investor does not have a cause of action against a private party, even if there is infringement on a large scale.[7] Hence, the onus is on the state to strengthen its IPR protection to safeguard investors. As a consequence, countries have played an important role over the years in advancing the protection of intellectual property rights. For example, the Philippines, Thailand, Malaysia, and Vietnam have each strengthened their domestic IP legislation and enforcement, or beefed up international cooperation, to combat IP violation.[8]

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public domain. Thomas Cottier & Marina Foltea, *Global Governance in Intellectual Property Protection: Does the Decision-making Forum Matter?*, 3(2) WIPO J. 139, 140 (2012) (explaining that "[t]he minimal standards set out in the TRIPS Agreement have been criticized for being too rigid and for not sufficiently taking into account different levels of social and economic development."). *See also*, Antony Taubman, *Rethinking TRIPS: 'Adequate Remuneration' for Non-Voluntary Patent Licensing*, 11 J. INT'L ECON. L. 927, 935 (2008), (discussing efforts in the Doha Round to improve access to patented pharmaceuticals in developing countries).

5. *See* OFFICE OF THE U.S. TRADE REPRESENTATIVE, 2008 SPECIAL 301 REPORT, 19 (2008) *available at* http://www.ustr.gov/sites/default/files/asset_upload_file55 3_14869.pdf (illustrating the United States' constant frustration with China's inability to protect IPR specifically by putting China on the Priority Foreign Country Watch List for epidemic infringements of IPR for consecutive years from 2005 to 2010). *See also*, Daniel C. K. Chow, *Counterfeiting in the People's Republic of China*, and 78 WASH. U. L.Q. 1, 9 (2000) (stating that there are no specific definitions of counterfeiting under Chinese law, but a number of different legal provisions that refer generally to trademark infringement and broadly encompass counterfeiting).

6. Philip Stevens & Julian Harris, *International Policy Network: Fake Scare About Fake Drugs*, INTELL. PROP. WATCH (Dec. 15, 2009, 12:56 PM), http://www.ip-watch.org /2009/12/15/international-policy-network-fake-scare-about-fake-drugs/.

7. *Id.*

8. *See generally*, François Dessemontet, *From Exhaustion to Enhancement: Recounting Four Decades of Research and Teaching in Intellectual Property*, 4 (2) WIPO J. 254, 257–58 (2013). *See* Michael Blakeney, *Fighting Product Piracy: Law*

From an economic perspective, intellectual property rights essentially grant an extensive monopoly right over the economic exploitation of ideas, the expression of ideas, and distinctive words or symbols. It is a matter of protecting investment, creating incentives for future investment, and facilitating identification in distributed markets. The most important function of IPRs is hindering others from free-riding on someone else's investment of capital and labor. IPRs are necessary ingredients of free trade,[9] and further efforts have been made to increase protection of IPRs in recent years through the Anti-Counterfeiting Trade Agreement (ACTA).[10]

A trademark is a word (or words), a design, or a combination of these, used to identify the goods or services of one person or organization. In the world of trade and international business, trademark is often referred to as a brand, or a brand name, and is used by businesses as an identification sign to distinguish their goods or services from those of competitors. As such, a considerable number of businesses that operate across national borders require strong protection of their trademark. Furthermore, trademarks are a

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and Strategies in Germany, France, the Netherlands, Spain, UK, China, USA, 33 (5) EUR. INTELL. PROP. REV. 335 (2011). *See also*, Atthachai Homhuan, *Thailand to Crack Down on Illegal Online Pharmacies*, 15(6) E-COM. L. & POL'Y 10 (2013), (considering issues raised by the sale of drugs and counterfeits by illegal online pharmacies, including the risks to consumers, and focusing on steps by the Thai Government to combat the problem).

9. Nonetheless, a substantial degree of doubt persists, in particular among developing country governments and NGOs as to the wisdom and equity of making IPRs a mandatory part of WTO law. While some oppose the idea, others focus on the adequate degree of protection and on the proper balance of private and public domains—a balance which should be commensurate with social and economic development. *See* Carlos A. Primo Braga & Carsten Fink, *The Economic Justifications for the Grant of Intellectual Property Rights: Patterns of Convergence and Conflict*, *in* PUBLIC POLICY AND GLOBAL TECHNOLOGICAL INTEGRATION 99, 100–05 (Frederick Abbott & David J. Gerber eds., 1997).

10. The ACTA trade agreement, signed (but not ratified) in May 2011 by the United States, Japan, Switzerland, and the EU, requires that its parties add criminal penalties, including incarceration and fines, for copyright and trademark infringement, and obligates the parties to actively police for infringement. *See* Robin Fry, *ACTA on its Knees*, INTELL. PROP. MAG., Apr. 2, 2012 (discussing why the Anti-Counterfeiting Trade Agreement 2011 has proved controversial, resulting in widespread agitation and a referral to the European Court of Justice to determine its compatibility with the EU's fundamental rights and freedoms, including the secrecy surrounding its negotiation and its provisions requiring internet service providers to disclose the details of subscribers suspected of copyright or trade mark infringement. Also presents a timeline of the Agreement's development).

form of investment because they are valuable business assets that can be sold or licensed. Trademark protection is of key importance to many transnational investors.

Infringement of a trademark may occur when one party, the "infringer," uses a trademark that is identical or confusingly similar to a trademark owned by another party, in relation to products or services which are identical or similar to the products or services which the registration covers. An owner of a trademark may commence civil legal proceedings against a party that infringes its registered trademark.

Similar to a trademark, a trade name is the official name under which a company does business. It is also known as a "doing business as" name, assumed name, or fictitious name. However, a trade name does not afford any brand name protection or provide a company with unlimited rights for the use of that name. Instead, a trademark is used to protect the brand name and can be associated with that name. A trademark can also protect symbols, logos, slogans, gustatory, scent, touch, sound, color and 3-D marks. These can be registered as trademarks in an increasing number of jurisdictions as long as source identification, graphical representation, and nonfunctionality and distinctiveness criteria are met.

This article offers a much-needed practical perspective because the regulation of trademark is different in many jurisdictions. In the United States, the Trademark Counterfeiting Act of 1984 criminalized the intentional trade in counterfeit goods and services. In many countries (but not in countries such as the United States, which recognizes common law trademark rights), a trademark that is not registered cannot be "infringed" as such, and the trademark owner cannot bring infringement proceedings. Instead, the owner may be able to commence proceedings under the common law for "passing off" or misrepresentation, or under legislation that prohibits unfair business practices. Differences at the national level are made even more complex by the multiplicity of norms at the international level. Although historically TRIPS may be seen as an important agreement for trademark owners to pursue their rights abroad, some new treaties regulating cross-border investment that have emerged are relevant to our study.[11]

11. Julien Chaisse, The Regulatory Framework of International Investment: The Challenge of Fragmentation in a Changing World Economy, in *THE PROSPECTS OF INTERNATIONAL TRADE REGULATION – FROM FRAGMENTATION TO COHERENCE* 417 (Thomas Cottier & Panagiotis Delimatsis, eds, Cambridge Univ. Press, 2010).

This paper analyses the relevance of trade and investment treaties in trademark infringement cases involving a foreign jurisdiction. This paper also provides a comprehensive analysis of the role that TRIPS and investment treaties play in the protection of trademark across borders, and the potential significance of *Philip Morris v. Australia,* a pending case relating to this issue.[12]

II. Regulating Trademark in the TRIPS

The international legal and institutional framework for cooperation in the protection of intellectual property rights has evolved over the last hundred years.[13] However, until the WTO came into force and IPRs were included under the umbrella of the multilateral trading system, the framework for cooperation fell short of elaborating a comprehensive set of universal, harmonized standards that would have been enforceable through binding dispute settlement.[14] Due to significantly different perceptions of the role of intellectual property in the process of economic development, as well as diverging traditions among industrialized countries, substantive global standards with respect to intellectual property have remained largely open and permissive in nature. With the advent of TRIPS, the trading system fundamentally changed its relationship to IPRs.

TRIPS is a comprehensive agreement that builds upon and

12. In June 2011, Philip Morris initiated investment arbitration against the State of Australia, challenging its plain packaging law. One of the key issue relates to Philip Morris's trademark protection in Australia which, for the first time in history, is claimed to be protected by an international investment treaty. *See* Bryan Mercurio, *Public Health Law Case Study: Plain Packaging of Tobacco Products in* ROUTLEDGE HANDBOOK OF GLOBAL PUBLIC HEALTH AND ASIA (Sian Griffiths ed., 2014).

13. Since the adoption of the 1883 Paris Convention for the Protection of Industrial Property and the 1886 Berne Convention for the Protection of Literary and Artistic Works, a host of multilateral agreements, providing for both substantive and procedural rules, have sought to protect innovation and creativity by allocating exclusive intellectual property rights (IPRs). Most of this body of international law was developed within the World Intellectual Property Organization (WIPO), a UN specialised organisation, and in additional regional organisations. *See* Frederick M. Abbott, *Protecting First World Assets in the Third World: Intellectual Property Negotiations in the GATT Multilateral Framework*, 22(4) VAND. J. TRANSNAT'L L. 689 (1989). *See also* Bashar H. Malkawi, *A Long "TRIP" Home: How the Berne Convention, TRIPS Agreement, and Other Instruments Complement the International Copyright System*, 35(2) EUR. INTELL. PROP. REV. 93, 93–107 (2013).

14. *See* Julien Chaisse & Debashis Chakraborty, *Implementing WTO Rules Through Negotiations and Sanctions: The Role of Trade Policy Review Mechanism and Dispute Settlement System*, 28 U. PA. J. INT'L ECON. L. 153 (2007).

incorporates the Paris and Berne Conventions,[15] and enacts procedural norms that emerged after long and difficult negotiations. TRIPS sets forth the essential elements regarding the level of protection that member-states must accord to intellectual property. However, TRIPS norms are not typically considered formal norms of international harmonization that set limits on domestic protection of intellectual property, except in the field of procedure and enforcement. The prevailing view is that TRIPS merely sets out minimal substantive standards. Thus, it allows members to introduce stronger protection than the minimums set forth in the agreement.[16] In addition to the General Agreement on Tariffs and Trade 1994 (GATT 1994) and the General Agreement on Trade in Services (GATS), TRIPS emerged as the third pillar of the multilateral trading system.[17]

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15. The incorporation of other international agreements is a novel and unique feature in WTO law, perhaps in international law in general. It is not without difficulties. In the following case, the Appellate Body determined, *inter alia*, whether trade names are covered by TRIPS. *See* Appellate Body Report, *United States — Section 211 Omnibus Appropriations Act of 1998*, WT/DS176/AB/R 928 (Jan. 2, 2002) [hereinafter Havana Club].

16. Article 1 § 1 expressly allows members to adopt "more extensive protection," provided that such protection does not contravene the provisions of the agreement.

Additionally, Article 1 § 2 defines the nature and scope of obligations and the pertinent notion of "intellectual property." Part II of the agreement covers all relevant fields and forms of IPRs: copyright (including computer programs and databases), trademarks and service marks, geographical indications, industrial designs, patents for invention, topographies of integrated circuits and trade secrets (undisclosed information). *See* Tanguy de Haan, *Plain Packaging: Expropriation and Disproportion*, 35(9) EUR. INTELL. PROP. REV. 497–506 (2013).

Additional obligations stem from the incorporation of pre-existing agreements as defined in footnote 2 to Article 1. Article 2 obliges members to comply with the substantive provisions of the widely adopted Stockholm Act of 1967 of the 1883 Paris Convention which covers aspects of patents, trademarks, trade names and protection against unfair competition. Article 9 incorporates the substantive provisions of the Paris Act of 1971 of the 1886 Berne Convention covering copyright, and Article 35 incorporates the Washington Treaty on the Protection of Integrated Circuits, which has never come into force. These provisions form an integral part of the agreement's obligations with respect to intellectual property. The 1961 Rome Convention, addressing the rights of performers, producers and broadcasters (neighbouring rights) is referred to in various Articles but is not formally incorporated into the agreement.

17. *See* Thomas Cottier, *The TRIPs Agreement*, *in* THE WORLD TRADE ORGANIZATION: LEGAL, ECONOMIC AND POLITICAL ANALYSIS 917 (Patrick F. J. Macrory et al. eds., 2005). *See also* Bashar H. Malkawi, *A Long "TRIP" Home: How the Berne Convention, TRIPS Agreement, and Other Instruments Complement the International Copryight System*, 35(2) EUR. INTELL. PROP. REV. 93–107 (2013).

The principles of National Treatment (NT) and Most Favored Nation (MFN) treatment are explicitly stipulated in TRIPS (Articles 3 and 4). They provide a significant step beyond the traditions of bilateral protection enshrined and permitted by the Paris and Berne Conventions and lay the cornerstone for further improvements of international protection of IPRs.[18] It will no longer be possible to enter into bilateral agreements granting exclusively bilateral privileges beyond NT.

A. Exhaustion of Rights and Parallel Trade

Regulation of parallel trade is an important issue related to intellectual property.[19] Parallel trade is the importation of original products outside of, and thus parallel to, the contractually agreed channels of commerce. It occurs if price differentials render international trade from a low-priced market into a higher priced market lucrative for traders and possibly for consumers.[20] Whether or not parallel trade is lawful (some prefer to call it a "gray area") is inherently linked to the doctrine of exhaustion of rights.[21]

At the domestic level, IPRs with respect to specific products are exhausted as soon as the products are put on the market and sold by the right-holder or sold with the right-holder's consent (e.g., by way of a license agreement).[22] Once a right-holder sells a product on the

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18. Actually, both the Paris and Berne Conventions are already based on NT, so TRIPS key innovation is really the MFN.

19. Marianne Buckley, *Looking Inward: Regional Parallel Trade as a Means of Bringing Affordable Drugs To Africa*, 41 SETON HALL L. REV. 625 (2011) (considering that strong regulation of parallel trade is necessary to ensure the safety of the parallel imports and reduce possible corruption of the system). *See generally* Ioannis Avgoustis, *Parallel Imports and Exhaustion of Trade Mark Rights: Should Steps Be Taken Towards an International Exhaustion Regime?* 34(2) EUR. INTELL. PROP. REV. 108, 108–21 (2012).

20. *See* Lucy Harrold, *Fighting for Pharmaceutical Profits*, 24(10) EUR. INTELL. PROP. REV. 497, 497–503 (2002).

21. The American concept of exhaustion of intellectual property rights, or the "first-sale" doctrine as it is known in the U.S., originally appeared in 1873 in *Adams v. Burke*, 84 U.S. 453, 456 (1873), where the Supreme Court held that the exclusive right of a patentee to use or sell is exhausted as to a given article that incorporates the invention upon the first valid sale either by the patentee or by an authorised licensee. On the exhaustion of rights, see Thomas Cottier, *The Exhaustion of Intellectual Property Rights – A Fresh Look*, 39(7) INT'L REV. INTELL. PROP. & COMPETITION L. 755, 755-57 (2008) (arguing that Exhaustion of rights, or the doctrine of first sale, is inherent to IPRs and a necessity in bringing about legal certainty in downstream markets).

22. Hector L. MacQueen, *International Exhaustion of Trade Mark Rights: A*

market, the right-holder can no longer influence further transfer of the product on the market by legal means; the right-holder's rights have been "exhausted."[23] Exhaustion of IPRs only relates to the right to control the resale of the protected product after first sale by means of IPRs. It does not affect the existence and exercise of rights in respect to all actions taken without the consent of the right-holder, such as counterfeiting, piracy, the use of a patented invention, or the confusing use of a trademark.[24] In other words, exhaustion does not affect the core and essence of an IPR.

TRIPS addresses the issue of parallel trade on two levels. The first relates to the problem of exhaustion of rights. The second relates to the notion and scope of individual IPRs, in particular to trademarks and patents. Regarding the first, Article 6 of TRIPS constitutes an "agreement to disagree." Members remain free to adopt national, international, or regional exhaustion, as long as the decision is made on a nondiscriminatory basis.

However, considering the doctrine of exhaustion and its different forms, the issue of parallel trade is not exclusively defined by Article 6. It may also be resolved independently of exhaustion, i.e., before the question of exhaustion even arises. This is the case that concerns trademarks.[25] As a minimum standard, Article 16:1 of TRIPS grants the exclusive right to prevent third parties from using "identical or similar signs for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion."[26]

Article 16:1 primarily applies to counterfeit goods but is also relevant to parallel trade. The provision creates a presumption of likelihood of confusion in the case of identical marks used on identical goods or services. Demonstrating an absence of confusion, which is crucial to parallel trade cases,[27] can rebut the presumed

Scottish Contribution to the Debate, 4(4) INTELL. PROP. Q. 357, 357–66 (2000).

23. DAVID T. KEELING, INTELLECTUAL PROPERTY RIGHTS IN EU LAW VOLUME I FREE MOVEMENT AND COMPETITION LAW 75 (2003).

24. Avgoustis, *supra* note 19, at 108-21 (arguing the implementation of a specific exhaustion model would be preferable).

25. *Id.*

26. For further discussion of TRIPS negative formulation of the nature of trade mark rights issues, see Tania Voon & Andrew Mitchell, *Face Off: Assessing WTO Challenges to Australia's Scheme for Plain Tobacco Packaging*, 22(3) PUB. L. REV. 218 (2011).

27. The "likelihood of confusion" standard is one familiar to all United States

confusion.[28] The importer of parallel-traded goods, originating from different production lines in different countries but controlled by the same firm and right-holder, will generally be able to show that such likeliness of confusion does not exist. Whether imported products can be prevented from being put on the market depends on the test of consumer confusion. To the extent that products are identical and of equal quality, the concept of trademark protection in TRIPS does not allow the ban of parallel imports. Conceptually, the question of exhaustion does not even arise and the qualifications of Article 6 of TRIPS (and the footnote to Article 28:1) are irrelevant with respect to assessing parallel trade in the field of trademarks. As a result, the minimum standard is equivalent to a regime of international exhaustion.[29]

B. Enforcement at the Time of Acquisition and/or Maintenance

Part III of TRIPS sets forth detailed national-level procedures and remedies that provide for the effective enforcement of IPRs.[30] Part IV sets out procedural standards that relate to the registration and maintenance of rights.[31]

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trademark practitioners. The Paris Convention discusses likelihood of confusion only in the context of well-known marks (Article 6bis), but §2(d) of the Lanham Act, 15 USC §1052(d), generally bars registration of a mark "which so resembles a mark registered in the PTO, or a mark or trade name previously used in the United States by another and not abandoned, as to be likely, when used on or in connection with the goods of the applicant, to cause confusion, or to cause mistake, or to deceive ...." The court in *In re* E.I. du Pont de Nemours & Co., 476 F.2d 1357 (C.C.P.A. 1973), listed the principal factors to be considered in determining whether there is a likelihood of confusion under §2(d). *See In* re August Storck KG, 218 U.S.P.Q. 823 (T.T.A.B. 1983); *In re* Int'l Tel. & Tel. Corp., 197 U.S.P.Q. 910 (T.T.A.B. 1978); Guardian Products Co. v. Scott Paper Co., 200 U.S.P.Q. 738 (T.T.A.B. 1978).

28. Jeroen Van Hezeijk, *Montex and Rolex – Irreconcilable differences? A Call for a Better Definition of Counterfeit Goods*, 39 INT'L REV. INTELL. PROP. & COMPETITION L. 775, 776, 794 (2008).

29. The impact of Article 16, however, is not mandatory and applies only in jurisdictions where national or regional law does not grant protection beyond the minimum standard required by Article 1:1 of TRIPS. Members are free to adopt levels of protection that go beyond the test of consumer deception and to exclude external parallel trade as a matter of principle.

30. Xavier Seuba, *Free Trade of Pharmaceutical Products* 11 (Int'l Ctr. Trade & Sustainable Dev., Issue Paper 27, March 2010), *available at* http://ictsd.org/downloads/2011/12/free-trade-of-pharmaceutical-products.pdf.

31. *See* Graeme B. Dinwoodie, *A New Copyright Order: Why National Courts Should Create Global Norms*, 149 U. PA. L. REV. 469, 503-18 (2000). *See also* Katherine J. Strandburg, *Evolving Innovation Paradigms and the Global Intellectual Property Regime*, 41 CONN. L. REV. 861, 863–64, 871, 889–90 (2009).

Most actions for unlawful importation and distribution by way of parallel trade are settled by core provisions of TRIPS, such as Article 50, and do not reach the stage of ordinary and costly proceedings.

The powers granted in Article 50 are of particular importance for trademark and copyright enforcement in the field of software protection because infringements can be easily deleted upon notice of impending measures.[32]

III. Protecting Trademark to Attract Foreign Investment

The purpose of TRIPS is to provide minimum standards of IP protection, with members having flexibility to determine the appropriate method of implementing the provisions of TRIPS within their own legal systems.[33] TRIPS attempts to reduce the differences in the manner by which IPRs are protected around the world by fixing a minimum level of IPR protection that each of the WTO's member states ought to guarantee. Even if not directly related to investment, TRIPS has an impact on the level of investment in a country.[34] To that extent, the question must be asked: Is there a negative impact of compulsory licensing on investment decisions?

A. Protecting Trademark to Attract Foreign Investors

Article 7 of TRIPS emphasizes the protection of foreign investment by protection of technology, but TRIPS per se does not contain any provisions on investment. The relationship between TRIPS and foreign investment is also evident from the fact that virtually all modern IIAs, which lay down standards for the promotion and protection of foreign investment, include intellectual property within the definition of investment.[35] In addition, the

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32. Kanaan Al-Ahmar, *Intellectual Property Rights in Yemen: Proposals for Reforming the Legal Statutes and the Enforcement of Procedures*, 34(4) INT'L REV. INTELL. PROP. & COMPETITION L. 373, 373–403 (2003).

33. Peter Yu, *The Objectives and Principles of the TRIPS Agreement*, 46 HOUS. L. REV. 979 (2009).

34. *See* Julien Chaisse and Christian Bellak, *Do Bilateral Investment Treaties Promote Foreign Direct Investment? Preliminary Reflections on a New Methodology* 3(4) TRANSNAT'L CORP. REV. 3-11 (2011).

35. Rachel A. Lavery, *Coverage of Intellectual Property Rights in International Investment Agreements: An Empirical Analysis of Definitions in a Sample of Bilateral Investment Treaties and Free Trade Agreements*, 6(2) TRANSNAT'L DISP. MGMT. (2009), *available at* http://www.transnational-dispute

existence of certain standards of IPR protection should be one of the elements potential foreign investors should take into consideration when deciding where to locate their production facilities. However, in the long term, to the extent that the levels of protection are substantially harmonized under TRIPS, IPRs are likely to become a less significant issue in investment decisions, except with respect to the effective enforcement of available rights.

Therefore, the question arises as to the relationship between IIAs and agreements like TRIPS with respect to IPRs. While the former contain provisions that can apply to IPRs (as is shown in part V), the latter contains specific rights and obligations.

B. Litigation on Trademark at the WTO

Dispute settlement at the WTO is an ongoing and important process.[36] Unlike multilateral trade rounds, it does not depend on the dynamics of the political process, and members are free to bring their problems before panels and the Appellate Body independent of ongoing negotiations. With such a dispute settlement system, a major part of the work in the WTO no longer depends on the fate of trade rounds. Nevertheless, a close connection remains. Members may be willing to test the waters more readily in between rounds or during stalemates, and seek to solve systemic problems by recourse to the judicial branch of the organization. The first years of this new system produced important leading cases. Then again, members may be more reluctant to bring cases when negotiations are in full swing. While dispute settlement should not be considered an unfriendly act, pending cases may influence the climate of negotiations and the prospects of finding an agreement. Moreover, many delegations operate with scarce resources and refrain from dispute settlement for such reasons. Overall, however, the two branches peacefully operate in tandem.[37]

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management.com/article.asp?key=1448.

36. *See* Julien Chaisse & Mitsuo Matsushita, *Maintaining the WTO's Supremacy in the International Trade Order – A Proposal to Refine and Revise the Role of the Trade Policy Review Mechanism*, 16 J. INT'L ECON. L. 9 (2013)

37. *See* Jacques H. J. Bourgeois, *Some Reflections on the WTO Dispute Settlement System from a Practitioner's Perspective*, 4(1) J. INT'L ECON. L. 145 (2001); James Cameron & Kevin R. Gray, *Principles of International Law in the WTO Dispute Settlement Body*, 50(2) INT'L & COMP. L.Q. 248 (2001); DISPUTE RESOLUTION IN THE WORLD TRADE ORGANIZATION (James Cameron & Karen Campbell eds., 1998).

Between 1995 and 2013, nine claims relating to trademark have been filed to the WTO, provided in **Table 1**. This is a relatively significant number, it being understood that many other claims touched upon other IPR issues.

Table 1. Trademark Disputes at the WTO

WTO Dispute number	Parties to the dispute	Request for Consultations	Dispute Status
DS59	Indonesia — Certain Measures Affecting the Automobile Industry (Complainant: United States)	8 October 1996	✓ Panel report, 23 July 1998
DS174	European Communities — Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs (Complainant: United States)	1 June 1999	✓ Panel Report, 15 March 2005
DS176	United States — Section 211 Omnibus Appropriations Act of 1998 (Complainant: European Communities)	8 July 1999	✓ Panel report, 6 August 2001 ✓ Appellate Body report, 12 January 2002 ✓ EC and US successively agreed to modify 4 times (first, 30 June 2003, then, 31 December 2003, 31 December 2004 and, finally, 30 June 2005) the reasonable period of time for the United States to implement the recommendations and rulings of the DSB

DS362	China — Measures Affecting the Protection and Enforcement of Intellectual Property Rights (Complainant: United States)	10 April 2007	✓	Panel report, 26 January 2009
DS434	Australia — Certain Measures Concerning Trademarks and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging (Complainant: Ukraine)	13 March 2012	❖	Panel established on 28 September 2012
DS435	Australia — Certain Measures Concerning Trademarks, Geographical Indications and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging (Complainant: Honduras)	4 April 2012	❖	DSB deferred the establishment of a panel on 19 November 2012
DS441	Australia — Certain Measures Concerning Trademarks, Geographical Indications and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging (Complainant: Dominican Republic)	18 July 2012	❖	DSB deferred the establishment of a panel on 17 December 2012
DS458	Australia — Certain Measures Concerning Trademarks, Geographical Indications and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging (Complainant: Cuba)	3 May 2013	❖	Consultations
DS467	Australia — Certain Measures Concerning Trademarks, Geographical Indications and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging (Complainant: Indonesia)	20 September 2013	❖	Consultations

Source: WTO database of trade disputes (as of October 17, 2013)

Importantly, five claims have been filed against Australia since 2012 and all deal with the law on plain packaging. While these cases are still pending at the time of writing, it is clear that the issue of trademark infringement is very much alive and raises thorny issues. Beyond the Australian case, four other cases dealt with trademark at the WTO. The first was Indonesia — Certain Measures Affecting the Automobile Industry case that was initiated by the US and resulted in a panel report in 1998.[38] The second was the European Communities

38. Panel Report, *Indonesia - Certain Measures Affecting the Automobile Industry*, WT/DS54/R, WT/DS55/R, WT/DS59/R, WT/DS64/R (July 2, 1998).

— Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs, which was again initiated by the United States and led to a panel report in 2005.[39] The third was the widely commented upon[40] case, China — Measures Affecting the Protection and Enforcement of Intellectual Property Rights, again brought by the United States and decided by a panel report in 2009.[41] These three cases were all settled by a panel report. The fourth case, The United States — Section 211 Omnibus Appropriations Act of 1998,[42] was far more difficult; it took almost seven years to reach proper settlement and the panel report is still not fully implemented as of 2013.[43] This case is the best illustration of trademark protection under TRIPS.

IV. Revisiting the "Havana Club" Dispute

In the United States — Section 211 Omnibus Appropriations Act of 1998 case,[44] the European Communities challenged a provision of United States law denying protection to the owners of Cuban

39. Panel Report, *European Communities – Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs – Complaint by the United States* - WT/DS174/R (Mar. 15, 2005).

40. Panel Report, *China – Measures Affecting the Protection and Enforcement of Intellectual Property Rights*, WT/DS362/R (Jan. 26, 2009). *See* Donald P. Harris, *The Honeymoon is Over: The U.S. China WTO Intellectual Property Complaint*, 32 FORDHAM INT'L L.J. 96, 103 (2009). *See also* Brian Fitzgerald & Lucy Montgomery, *Copyright and the Creative Industries in China*, 9 INT'L J. CULTURAL STUD. 407, 408 (2006) (supporting the proposition that Confucianism strongly encouraged the imitation of teachers as a way of learning).

41. *See* James Mendenhall, *WTO Panel Report on Consistency of Chinese Intellectual Property Standards*, 13(4) AM. SOC'Y INT'L L. INSIGHT (Apr. 3, 2009), http://www.asil.org/insights/volume/13/issue/4/wto-panel-report-consistency-chinese intellectual-property-standards; and Peter K. Yu, *The TRIPS Enforcement Dispute*, 89(4) NEB. L. REV. 1046 (2010).

42. Havana Club, *supra* note 15.

43. Status Report by the United States Add., *United States - Section 211 Omnibus Appropriations Act of 1998*, WT/DS176/11/Add.130 (Sept. 13, 2013). Meanwhile, the dispute generated six U.S. court decisions. *See* Havana Club Holding, S.A. v. Galleon S.A., 961 F. Supp. 498 (S.D.N.Y. 1997); Havana Club Holding, S.A. v. Galleon S.A., 974 F. Supp. 302 (S.D.N.Y. 1997); Havana Club Holding, S.A. v. Galleon, S.A., No. 96 CIV. 9655(SAS), 1998 WL 150983 (S.D.N.Y. Mar. 31, 1998); Havana Club Holding, S.A. v. Galleon, S.A., 62 F. Supp. 2d 1085 (S.D.N.Y. 1999); Havana Club Holding, S.A. v. Galleon S.A., 203 F.3d 116 (2d Cir. 2000), *cert. denied*, 531 U.S. 918 (2000). For a commentary on these domestic developments, see Emily Taylor, *The Havana Club Saga: Threatening More Than Just "CUBA COKE"*, 24(2) NW. J. INT'L L. & BUS. 513 (2004).

44. Havana Club, *supra* note 15.

trademarks and trade names that had been connected to businesses confiscated by the Cuban government during the Cuban revolution.[45] Below, we argue that the WTO's decision to end this dispute resolved investment questions arising out of the global administration of IPRs.

A. The Trademark Owner, the Foreign Investor and TRIPS

This section presents a brief overview of the Omnibus Appropriations Case and the possible implications of the case to future investment cases on the protection of IPRs. A Cuban family that produced rum owned the trademark "Havana Club," which was registered both in Cuba and the United States. After the Cuban revolution, the business was expropriated and a Cuban government-owned enterprise registered the "Havana-Club" trademark in Cuba and the United States. In the early 1990s, the Cuban state enterprise entered into a joint venture with the French liquor distributor Pernod Ricard, thereby constituting the Havana-Club-Holding (HCH). In 1997, the U.S. enterprise Bacardi purchased the residual trademark rights of the Cuban family who initially registered the trademark. After Bacardi's successful legislative effort, the U.S. Congress enacted Section 211 in the Omnibus Appropriations Act, which deprived the HCH of all its rights from the registered "Havana-Club" trademark in the United States. HCH was deprived of the enforcement of the trademark before the national courts, the assignment of the trademark was retroactively denied effect, and the possibility to renew registration was excluded.

The European Communities (EC) filed a complaint against the United States with the WTO, alleging that Section 211 of the Omnibus Appropriations Act of 1998 ("Section 211") violated inter alia Article 3.1 and 4 of TRIPS that deals with NT and MFN respectively.[46] The WTO Panel held that Section 211 was in violation of Article 42 of TRIPS as it denied trademark owners access to courts. However, it did not agree with the EC on Article 3.1 and 4 as it held that TRIPS does

45. Graeme B. Dinwoodie & Rochelle C. Dreyfuss, *Designing A Global Intellectual Property System Responsive To Change: The WTO, WIPO, And BEYOND*, 46 HOUS. L. REV. 1187 (2009).

46. Panel Report, *United States — Section 211 Omnibus Appropriations Act of 1998*, WT/DS176/R, (Aug. 6, 2001), at 8.6-8.10. The EU claimed that § 211 violated the registration, enforcement, and National Treatment and Most Favored Nation Treatment requirements of TRIPS : that § 211(a)(1) violated Articles 2.1 and 15.1 of TRIPS and Article 6 quinquies (A)(1) of the Paris Convention; that § 211 (a)(2) violated Articles 2.1, 3.1, 4, 16.1, and 42 of TRIPS and Articles 2(1), 6bis, and 8 of the Paris Convention; and that § 211(b) violated Articles 2.1, 3.1, 4, 16.1, and 42 of TRIPS and Articles 2(1), 6bis, and 8 of the Paris Convention.

not deal with trade names and ownership of IPRs. The EC appealed this decision.

The impugned sections of the Omnibus Appropriations Act in this case were Section 211(a) (2) and 211 (b). Section 211(a)(2) provides that if a business and its mark have been confiscated and *a designated national* tries to assert rights against another mark, that is the same as or substantially similar to such a confiscated mark, the U.S. courts shall not in any way validate such an assertion of rights.[47] Section 211 (b) states that if a business and its mark have been confiscated and *a designated national or its successor-in-interest* tries to assert rights, based on certain treaty rights, of a trademark being the same as or substantially similar to such a confiscated mark, then U.S. courts shall not in any way validate such an assertion of rights.[48]

The two Sections in question deal basically with the same situations except for two differences: Section (a) (2) concerns the assertion of rights based on common law rights or registration, whereas Section 211 (b) only deals with treaty rights. The second difference is more significant: whereas Section 211 (a) (2) concerns only Cuban original owners and foreign successors-in-interest, Section 211 (b) concerns Cuban original owners ("Original owner level") as well as successors-in-interest ("Successor in interest level") of any nationality, including Americans. The EC alleged that the unfavorable treatment to foreign nationals constituted a violation of the NT and MFN principles.

According to Article 3.1 of TRIPS, the NT principle requires WTO member states to accord no less favorable treatment to nonnationals than to nationals with respect to the protection of trade-related property rights. Protection is understood as "matters affecting the availability, acquisition, scope, maintenance and enforcement of intellectual property rights as well as those matters affecting the use of intellectual property rights specifically

47. However, the European Communities argued that it had not been demonstrated by the United States that this treatment *in each and every factual situation* necessarily and fully compensated for the discrimination created by Section 211 (a) (2).

48. Read together with Section 211 (d) in conjunction with the Sections 515.336 and 515.305 of title 31, Code of Federal Regulations, Section 211 (b) applies in simplified terms to Cuban original owners and *any* successors-in-interest trying to assert rights of a United States trademark which is the same as or substantially similar to a confiscated Cuban trademark–thus comprising also American successors-in-interest.

addressed."[49] Article 4 of TRIPS contains the MFN clause forbidding any discriminatory treatment between nationals of different foreign countries. Thus, if a member state grants a favor to a foreign national, that member state has to accord the same favor immediately and unconditionally to the nationals of all other member states.

MFN and NT are basic principles on which modern investment laws are built. The issues that were addressed in the HCH case are similar to those that confront the treatment of IPRs as an investment in IIAs. By enacting Section 211, the U.S. Government's actions can be interpreted as indirect expropriation.[50] If there existed a Bilateral Investment Treaty (BIT) between the United States and Cuba, HCH could have submitted the dispute to an arbitral tribunal. The adjudication by the WTO Appellate authority is representative of the possible overlap of jurisdiction in future cases.

There are two groups of persons that could be discriminated against under Section 211 (a) (2) and (b) with respect to both Article 3.1 and Article 4 of TRIPS: successors-in-interest and original owners. Therefore the following discussion will present the inconsistency of Section 211 (a) (2) and (b) with respect to Articles 3.1 and 4 of TRIPS as they apply to successors-in-interest and original owners.

B. Level of Successors-in-Interest

The EC, in its WTO complaint against the United States regarding the Omnibus Appropriations Act of 1998 first argued that Section 211 (a) (2) is *prima facie* discriminatory, as US nationals would never fall within its scope. Therefore, EC argued that Section 211 (a) (2) imposes restrictions on Cubans and other foreign nationals that it does not impose on U.S. nationals.[51] Second, the EC contended that there would be no counterbalance of this

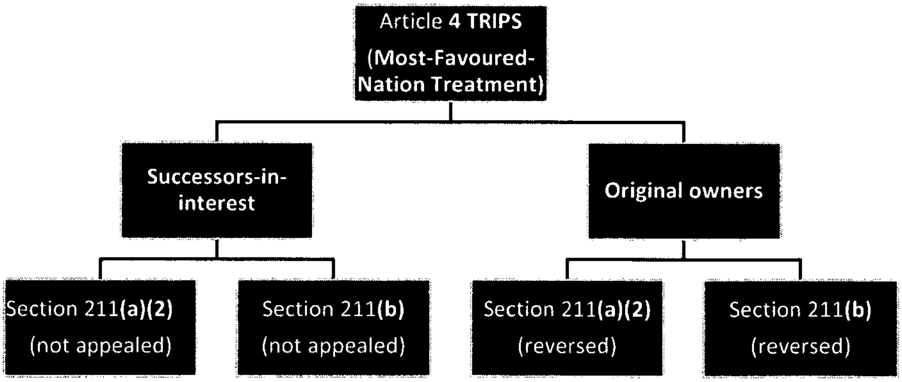
49. TRIPS, *supra* note 2 at Article 3.1.

50. Since none of the three criteria listed by Correa are satisfied, and it is a clear violation of FET. *See infra* part VII and accompany text for a discussion on FET and Correa's criteria. *See also*, Carlos M. Correa, *Bilateral Investment Agreements: Agents of new Global Standards for the Protection of Intellectual Property Rights?*, GRAIN (Aug. 3, 2004), http://www.grain.org/article/entries/125-bilateral-investment-agreements-agents-of-new-global-standards-for-the-protection-of-intellectual-property-rights.

51. As a consequence, a United States national who is a successor-in-interest to a designated national could have, in contrast to a non-United States-national, United States courts recognize, enforce or validate his rights in respect of the underlying mark that was registered pursuant to a specific license granted by Office of Foreign Assets Control (OFAC).

discrimination by Cuba's Office of Foreign Assets Control (OFAC), which administers the Cuban Assets Control Regulations (CACR).[52] Finally, even if the United States was able to prove such an offsetting effect, it would remain discriminatory because of the different number of "hurdles" to which different successors-in-interest are exposed. The United States argued that the *prima facie* discrimination of Section 211 (a) (2) could be offset by the consistent practice of the OFAC. OFAC regulations were very broad and affected every nationality, not only Cubans. The United States also contended that OFAC had never issued a specific license to a U.S. national for the purpose of becoming a successor-in-interest to trademarks that were used in connection with confiscated assets.[53] The United States believed that in repeating the arguments that it had raised before the Panel, the EC had not taken into account the decisive difference between the two Sections: whereas Section 211 (a) (2) only applies to any foreign successors-in-interest, Section 211 (b) applies to all successors-in-interest including U.S. nationals.

Figure 1. Analyzing the Level of Successors-in-Interest



Source: Elaboration by the Authors

52. The European Communities argued that it had not been demonstrated by the United States that this treatment *in each and every factual situation* necessarily and fully compensated the discrimination created by Section 211 (a) (2).

53. Although OFAC has the discretion to issue such licenses, it will not do it in the future, because as an agency of the executive branch it will not violate any international obligations. Moreover, even if a United States national was granted such a license, the United States courts would apply the longstanding principle against the recognition of foreign confiscations, which would constitute a second hurdle for United States nationals.

The Appellate Body reversed the Panel's finding and stated that Section 211 (a) (2) is inconsistent with Art 3.1.[54] The Appellate Body held that a possibility of preferential treatment (formal differences in procedures) constituted sufficient discrimination, which fulfilled the criterion of inconsistency with the NT clause. The Appellate Body rejected the U.S. argument that under the "non-recognition of foreign confiscation" doctrine,[55] no U.S. court would enforce the rights of successors-in-interest. Such a doctrine would apply both to nationals and non-nationals and therefore could not offset the discrimination in Section 211(a) (1), but instead would construct a third hurdle for nonnationals. The Appellate Body summarily upheld the Panel's finding that agreed with the U.S. position that there was obviously no violation of Art 3.1 in respect of Section 211 (a) (2). On the other hand, Section 211 (b) expressly used the wording "successors-in-interest of any nationality," thus including US nationals, and therefore prevented differential treatment of U.S. and non-U.S. nationals. The United States originally argued that the effect of this language (preventing differential treatment) was not a violation of Art 3.1. The Appellate Body upheld the Panel finding that agreed with the U.S. argument.

C. Level of Original Owners

The EC argued that the Panel erred in its conclusion about discrimination among original owners. They claimed that both Sections 211(a)(2) and 211(b) violated the NT obligation under TRIPS by relying on a particular set of circumstances, which according to them illustrated that Sections 211(a)(2) and (b) were *prima facie* discriminatory, and asked the Appellate Body to consider this specific situation.[56] The EC claimed that in this situation, the

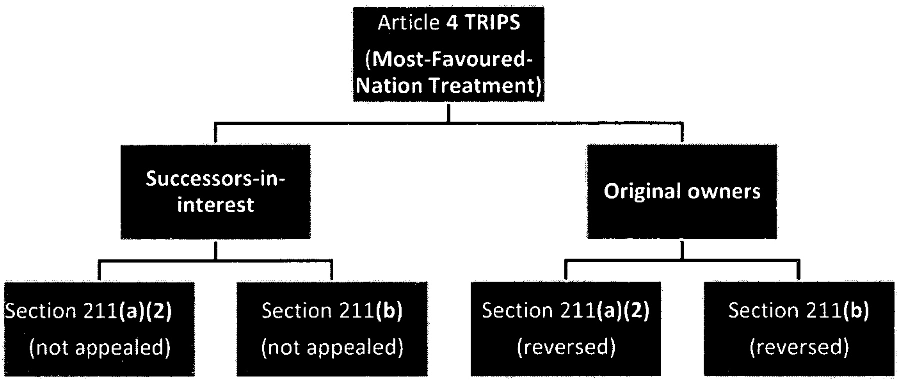
54. *See* Havana Club, *supra* note 15, at para. 296.

55. *Id.*, at 266–68.

56. *Id.*, at para. 280: "There are two separate owners who acquired rights, either at common law or based on registration, in two separate United States trademarks, before the Cuban confiscation occurred. Each of these two United States trademarks is the same, or substantially similar to, the signs or combination of signs of which a trademark registered in Cuba is composed. That same or similar Cuban trademark was used in connection with a business or assets that were confiscated in Cuba. Neither of the two original owners of the two United States trademarks was the owner of that same or similar trademark that was registered in Cuba. Those two original owners each seek to assert rights in the United States in their two respective United States trademarks. The situation of these two original owners of these two

original owner, who is a Cuban national, is subject to Sections 211(a)(2) and (b), while original owners who are U.S .nationals or non-Cuban nationals are not. Thereby Cubans were treated less favorably than non-Cubans. The United States claimed that Sections 211(a) (2) and (b) would not be applicable to original owners, *regardless of their nationality*, because original owners were always in a position to consent expressly to their own assertion of rights under the impugned Sections. The United States also claimed that Section 211(a)(2) did not apply to Cuban nationals in the situation posed by the EC because Section 515.527 of the CACR was not in effect when the original owners in this situation obtained their trademark rights in the United States.[57]

Figure 2. Analyzing the Level of Original Owners



Source: Elaboration by the Authors

United States trademarks is identical in every relevant respect, but one. That one difference is this: One original owner is a national of Cuba, and the other original owner is a national of the United States [or as concerns Article 4, a non-Cuban foreigner who is an original owner] "

57. For trademark rights based on common law, the United States contended that the Cuban original owner could not have maintained his rights in the United States trademark because he would not have been able to import the trademarked goods from Cuba and, thus, would not have been able to continue using the trademark "in commerce." Further, the US argued that the Cuban original owner could be "unblocked" under the OFAC regulations, and thereby would have the same status as a United States national, which would offset a discriminatory treatment. The CACR contained provisions that would result in exceptions for Cuban nationals from discriminatory treatment as well as provisions that would provide equally onerous treatment to United States nationals or non-Cuban nationals and thereby offset the less favorable treatment of the Cuban nationals that otherwise occurred under Sections 211(a)(2) and (b).

The Appellate Body agreed with the EC that the specific situation, which the EC asked the Appellate Body to consider, was critical to the determination of inconsistency of the Sections with the Articles 3.1 and 4. The Appellate Body held that since the EC had established a *prima facie* case of discrimination inconsistent with Article 3.1 and 4 of TRIPS, the United States would only be able to rebut that finding by proving that discrimination against Cuban nationals would never occur in practice. The Appellate Body thus required that the discriminatory treatment must be excluded *in every case*.[58] The United States was not able to satisfy that standard. Accordingly, the Appellate Body concluded that at the Original Owner level, Sections 211 (a) (2) and (b) were inconsistent with Article 3.1's NT and Article 4's MFN as well.

D. Lessons from the "Havana Club"

In summary, the Appellate Body concluded that because the Sections 211 (a) (2) and (b) *prima facie* provided less favorable procedural treatment to Cubans than to U.S. nationals and non-Cuban foreigners, the United States must prove that discriminatory treatment arising from those sections was excluded *in every case*, not just on average. Accordingly, the Appellate Body almost completely reversed the Panel's findings with respect to Articles 3.1 and 4. The only portion of the Panel's findings that the Appellate body upheld

58. A Cuban original owner of an United States trademark is not always in a position to consent expressly to his assertion of rights, because he is not necessarily the same person as the original owner of the same or substantially similar Cuban trademark used in connection with a business or assets that were confiscated, and he would thus be unable to express his own consent to avoid the United States court's denial of assertion of rights. In a case where the Cuban who is an original owner of trademark rights in the United States based on common law, and not registration, or he seeks a renewal of a registered trademark, Section 211 (a) (2) would apply and accordingly discriminate against him. Furthermore a Cuban national who possessed trademark rights based on common law could have been able to import the trademarked goods and been able to use them "in commerce" when he imported the goods from a country other than Cuba, which was a possible scenario. The agreement of the United States that Cuban original owners could be "unblocked" under the OFAC regulations did not persuade the Appellate Body because the less favorable treatment was not proved by the United States to be excluded in every individual situation. Similarly the United States was not able to show that a discrimination would be offset in every case by the fact that Section 515.201 of the CACR as well as the application of the doctrine of nonrecognition of foreign confiscations could apply to United States nationals or non-Cuban nationals in an onerous manner, thereby offsetting the less favorable treatment of the Cuban original owner according to Section 211 (a) (2) and (b).

was the conclusion that Section 211 (b)[59] was consistent with TRIPS Art 3.1. The "Havana Club Case" was the first case in which the Appellate Body had to deal with TRIPS Art 3.1. The Appellate Body stressed the importance of the fundamental principle of the world trading system, i.e., of the obligation of NT--especially in its concluding remarks.[60]

As shown in part IV sections *B* and *C* above, the report of the Appellate Body in this case remains consistent with the decision of the panel in the Section 337 Case,[61] which suggests that in the future, both GATT 1994 and TRIPS will be consistently interpreted. The question may arise as to whether the standard laid down with respect to NT and MFN by the Appellate Body is too rigorous. Articles 3.1 and 4 of TRIPS apply to *de facto* discrimination, a standard important in cases where legislation is not discriminatory *on its face*. Where, such as in this case, the legislation *is* discriminatory *on its face*, the presumption of an existence of discrimination should be very strong. It would be strange if a violation of the principles was excluded because the legislation did not discriminate *more often than not*. Furthermore, a discriminatory legislation in itself could be regarded as onerous in the area where the principles of NT and MFN apply; therefore, a rigorous assessment and very high standard of proof would be justified.

One conclusion that could be drawn concerning the fact that the Appellate Body nearly reversed the Panel's findings in its entirety is that the Panel was decided in a political manner, whereas the Appellate Body strictly adhered to the legal basis of TRIPS.

59. Because of the clear wording of § 211(b) it was rather obvious that there was no discrimination between US nationals and foreign nationals.

60. For further commentary on the effects of § 211 and the AB decision on international intellectual property rights and the Cuban embargo, see Robert Dufresne, *Assessing Clashes and Interplays of Regimes from a Distributive Perspective: IP Rights Under the Strengthening Embargo against Cuba and the Agreement on TRIPS*, 24 MICH. J. INT'L L. 767, 768-69 (2003).

61. *United States — Section 337 of the Tariff Act of 1930 and Amendments thereto*, DS/186. The case related to Section 337 of the U.S Tariff Act brought by the EC against the US based on GATT Article 3 and TRIPS.

V. Emerging Role of Investment Treaties to Protect Trademark

Governments around the world have realized the importance of Foreign Direct Investments (FDI) in pursuing the economic growth of their countries.[62] There is intense competition among states, particularly amongst developing states, to attract greater FDI. This competition forces countries to create a secure and stable investment environment for prospective investors.[63] In order to create such an environment, states are entering into BITs or other IIAs, which can provide a legal framework for granting protection to foreign investors.[64] Foreign investors are guaranteed a certain standard of protection or treatment by a host country under a BIT. BITs provide certain guarantees, which either provide foreign investors with specific protections and/or set forth rules regarding how host nations will treat the foreign investors.[65] Some classical standards of treatment provided in BITs are non-Expropriation, MFN, National Treatment, and Fair and Equitable Treatment (FET). Apart from a set of standards granted to foreign investors, most BITs provide a dispute settlement mechanism allowing foreign investors to have access to international

62. Alexander J. Belohlavek and Filip Cerny, *Law Applicable to Claims Asserted in International Investment Disputes*, 54(6) INT'L J. OF LAW & MGMT. 443 (2012).

63. *See* Julien Chaisse, *Promises and Pitfalls of the European Union Policy on Foreign Investment – How will the New EU Competence on FDI Affect the Emerging Global Regime* 15(1) J. INT'L ECON. L. 51 (2012).

64. Unfortunately, as of today, we do not have any comprehensive multilateral agreement on investment either under the ambit of WTO or anywhere else. Under WTO's Doha Development Agenda, originally the possibility of negotiations on investment was included in 2001 but it was dropped in 2004. There was a prior attempt to negotiate a Multilateral Investment Agreement (MIA) among OECD countries as a plurilateral agreement, but these negotiations ended without success in 1997. Hence international rules on investment are fragmented and there is a wide variety of obligations. *See* Margot E. Salomon, *From NIEO to Now and The Unfinishable Story of Economic Justice*, 62(1) IN''L & COMP. L.Q. 31, 43 (2013) (explaining that, "[h]istorically, the aim of BITs has been to strengthen the protection afforded foreign investors, especially in developing and transitional markets, in return for increased inward foreign investment flows.").

65. International investment law provides rules to ensure access for foreign investment to host country markets and protect investment against risk (especially political risk). It creates a specific set of investment protection obligations on host countries, including protection against expropriation without compensation and gives access to financial compensation through investor–state arbitration where the host country breaches a protection obligation. *See* SANTIAGO MONTT, STATE LIABILITY IN INVESTMENT TREATY ARBITRATION: GLOBAL CONSTITUTIONAL LAW IN THE BIT GENERATION, 302–204 (Hart Publishing 2009).

tribunals when they are not satisfied with the host nation's treatment.[66] The WTO and its predecessor organization, GATT 1994, have not directly tackled the broad issue of foreign investment rules. Instead, GATT 1994 and the WTO have dealt with a narrow set of issues, which has left nations to formulate their own policies, either through BITs or other IIAs.

Foreign investment plays an extraordinary and growing role in global business. It can provide a firm with new markets and marketing channels, cheaper production facilities, and access to new technology, products, skills, and financing. For a host country that receives the investment, it can provide a source of new technologies, capital, processes, products, organizational technologies, and management skills, and as such can provide a strong impetus to economic development. Trademark protection may bring capital to a country while the trademark itself, although intangible, is a form of foreign investment.[67]

Over the last few decades, there has been a marked shift towards a knowledge-based global economy. This means that any country that hopes to attract FDI must have strong domestic IPR protection. Given the minimal protection offered by TRIPS and weak enforcement mechanisms for IPR violations in developing countries, an argument is being made for stronger "TRIPS plus" protection. Since intellectual property has been widely recognized as an investment in IIAs,[68] it has been suggested that allowing IPR claims against host states could strengthen the existing IPR protection. In the early 2000s, International Arbitration drew the attention of experts to the role that IIAs could play in regard to trademarks and, more broadly, to IPRs.

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66. Regarding arbitration under IIAs, there have been 471 known cases as of October 10, 2013. The majority of cases (more than 60%) emerged after 2004, with 46 claims in the last year alone. About 90% of cases are from investors of developed countries against developing countries. Out of 450 cases, 220 have concluded prior to October 10, 2013, with 26 concluded only in 2011. Of the decisions 40% were in favor of host country, while 30% were in favor of investors and 30% cases settled. *See* Julien Chaisse, *Assessing the Exposure of Asian States to Investment Claims* 6(2) CONTEMP. ASIA ARB. J. 187–225 (2013).

67. Jean R. Homere, *Intellectual Property Rights Can Help Stimulate the Economic Development of Least Developed Countries*, 27 COLUM. J.L. & ARTS 277, 277 (2004); Amir Khoury, *Trademark Policy: The Case of Arab Countries*, *in* INTELLECTUAL PROPERTY, TRADE AND DEVELOPMENT 299, 300 (Daniel Gervais ed., 2007).

68. For an empirical survey of the coverage of IPRs in Investement Agreements see Lavery, *supra* note 35.

Wena Hotels v. Egypt found that expropriation should not be limited to tangible rights.[69] More recently, the *Pey Casado v. Chile* award[70] stated that the BIT defined "investments" as various forms of holdings, such as goods and rights of all types, acquired by way of legislation from the country receiving the investment and more specifically, albeit not limited to: shares and other holdings enabling participation in companies; credits, securities and contributions held with the intent of deriving increased economic benefit; all moveable and immovable goods, including all ensuing, derived rights; all rights derived from intellectual property; and, rights put into operation by way of the law or contracts, resulting from the commercial and economic development of prospecting, cultural endeavors, or natural resource extraction.[71]

A. *Defining Trademark as a Form of Investment*

The subject matter of an IIA is determined by the definition of the term "investment" together with that of "investor." The concept of investment governs the assets that fall under the scope of application of the agreement. In other words, it answers the question of *what types* of investments are covered.[72] Traditionally aimed at investment protection, most BITs define "investment" in a broad and open-ended manner covering not only the capital that has crossed borders, but also practically all other kinds of assets of an investor in the territory of the host country. The *Millicom v. Senegal* Decision on Jurisdiction notes that the BIT's definition of investment is "extremely broad."[73]

A detailed observation shows that there are four distinct approaches to the definition of investment in BITs. First, there is the traditional "asset-based" definition,[74] which, with variations, is the

69. Wena Hotels Ltd. v. Arab Republic of Egypt, ICSID Case No. ARB/98/4, Award, ¶ 98 (Dec. 8, 2000).

70. Víctor Pey Casado v. Republic of Chile, ICSID Case No. ARB/98/2, Award (May 8, 2008).

71. *Id.* at ¶ 366-379.

72. For a comprehensive analysis of the definitions of "investment," *see* UNITED NATIONS TRADE CONFERENCE ON TRADE AND DEVELOPMENT, BILATERAL INVESTMENT TREATIES 1995–1996: TRENDS IN INVESTMENT RULEMAKING, U.N. Doc. UNTAD/ITE/IIT/2006/5, U.N. Sales No. E.06.II.D.16 (2007).

73. Millicom Int'l Operations B.V. v. The Republic of Senegal, ICSID Case No. ARB/08/20, Decision on Jurisdiction of the Arbitral Tribunal, at ¶ 79 (July 16, 2010).

74. Anne Van Aaken, *Perils of Success? The Case of International Investment Protection*, 9(1) EUR. BUS. ORG. L. REV. 1, 6 (2008) (noting that "[a]sset-based definitions usually include all tangible and intangible assets, debt, contractual claims

most common approach. Second, the use of which has diminished over the last few years, is a "circular" or "tautological" approach, which focuses on the features of an investment rather than conceptualizing it.[75] Third, is the "closed-list" definition of investment[76] and the fourth approach is to exclude certain assets and transactions from the definition.

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and intellectual property rights, including, for example, promissory notes or bank loans. This broad definition thus differs from the classical definition of FDI, which usually requires a long-term investment controlled by a foreigner who assumes a certain risk.").

75. Definition of "investment" can be flexible enough to apply to new types of investment that *might* emerge in the future. Numerous BITs concluded by the United States illustrate this approach, such as the BIT with Bahrain. Bahrain Bilateral Investment Treaty, U.S.-Bahrain, art. 1, December 29, 1999, S. Treaty Doc. No. 106-25 (It defines an "*investment" as "every kind of investment" and not only "every kind of asset."*). This tautological approach is virtually limited to US BITs.

76. The third approach that has emerged to avoid an excessively broad definition of "investment" is what is called a "closed-list" definition. It consists of an ample, but finite list of tangible and intangible assets. Originally envisaged as an "enterprise-based" definition used in the context of USA–Canada FTA, this approach evolved towards the definition used in Article 1139 of NAFTA. It has been incorporated into the 2004 Canadian BIT model. FOREIGN AFFAIRS, TRADE AND DEVELOPMENT CANADA, Foreign Investment Protection and Promotion Agreement (FIPAs), http://www.dfait-maeci.gc.ca/tna-nac/what_fipa-en.asp#structure (last updated March 11, 2014).

The traditional "asset-based" definition can be found in the China–Uganda BIT (2004):

> Article 1. The term "investment" means every kind of property, such as goods, rights and interests of whatever nature, and in particular, though not exclusively, includes: (a) tangible, intangible, movable and immovable propely [property?] as well as any other right in rem such as mortgages, liens, usufructs, pledges and similar rights; (b) shares, debentures, stock and any other kind of participation in companies; (c) claims to money or to any other performance having an economic value associated with an investment; (d) intellectual and industrial property rights such as copyrights, patents, trademarks, industrial models and mockups, technical processes, know-how, trade names and goodwill, and any other similar rights; and (e) business concessions conferred by law or under contract, including concessions to search for, cultivate, extract or exploit natural resources.

The "closed-list" definition of investment as in the Canada's FIPA model:[77]

> "[I]nvestment means: (I) an enterprise; (II) an equity security of an enterprise; (III) a debt security of an enterprise (i) where the enterprise is an affiliate of the investor, or (ii) where the original maturity of the debt security is at least three years, but does not include a debt security, regardless of original maturity, of a state enterprise; (IV) a loan to an enterprise (i) where the enterprise is an affiliate of the investor, or (ii) where the original maturity of the loan is at least three years, but does not include a loan, regardless of original maturity, to a state enterprise."

As is evident from above, the traditional "asset based" definition in the China–Uganda BIT explicitly recognizes IPRs as an investment. Even the closed list model sometimes contains explicit recognition of IPRs.[78] This sort of explicit recognition can be seen in

77. The revised FIPA now lists IPR as an investment; *see* Lahra Liberti, *Intellectual Property Rights in International Investment Agreements* 1, 4 (OECD Working Papers on International Investment No. 1, 2010), *available at* http://www.oecd.org/daf/inv/ internationalinvestmentagreements/44822901.pdf.

78. Agreement Between the Government of Canada and the Government of the People's Republic of China for the Promotion and Reciprocal Protection of Investments, art. 1(1)(j) (August 3, 2013), *available at* http://www.international.gc.ca/ trade-agreements-accords-commerciaux/agr-acc/fipa-apie/china-text chine.aspx?lang=eng.

most IIAs.[79] It has been argued that even in the models that do not explicitly recognize IPRs, it can be assumed that IPRs are an investment through provisions that protect investor "returns" or within the definition of an asset.[80] For instance, consider the Japan-Mexico FTA which does not explicitly include IPRs as an investment but specifically covers "*real estate or other property, tangible or intangible, and any related property rights such as lease, liens and pledges, acquired in the expectation or used for the purpose of economic benefit or other business purposes.*"[81]

IPRs would fall under this definition as they are intangible assets used for economic benefit. The conceptual problem in recognizing IPRs as an investment in BITs is that it is an intangible asset, unlike physical goods that can be taken possession of by a state via expropriation.[82] However, in the case of *Wena Hotels Ltd. v. Arab Republic of Egypt*,[83] the tribunal found that expropriation is not limited to tangible property rights. The tribunal relied on the case of *SPP v. Arab Republic of Egypt*,[84] which held that it was an accepted principle in international law that intangible contractual rights could also be subject to expropriation. In the same vein, the *Amco International Finance Corp v. Iran*[85] Tribunal stated that, "*Expropriation, which can be defined as a compulsory transfer of property rights, may extend to any right which can be the object of a commercial transaction.*" Also, the *Phillips Petroleum Co. Iran v. Iran*[86] Tribunal further explained that "*whether the expropriation is formal or de facto and whether the property is tangible, such as real estate or a factory, or intangible, such as the contractual rights*

79. Lavery, *supra* note 35.

80. Bryan Mercurio, *The Untapped Potential of Investor-State Dispute Settlement Involving Intellectual Property Rights and Expropriation in Free Trade Agreements* 1, 4 (Chinese University, CFRED Working Paper, 2011), *available at* http://ssrn.com/ab stract=1806822.

81. Agreement Between Japan and The United Mexican States For The Strengthening of the Economic Partnership, Japan-Mex., September 17, 2004, JOYAKU WEB, art 96(i)(GG) (Japan), *available at* http://www.mofa.go.jp/region/latin/mexico/a greement/agreement.pdf.

82. Bryan Mercurio, *Awakening the Sleeping Giant: Intellectual Property Rights in International Investment Agreements*, 15(3) J. INT'L ECON. L. 871, 901-02 (2012).

83. Wena Hotels Ltd. v. Arab Republic of Egypt, ICSID Case No. ARB/98/4 (Feb. 5, 2002). 41 ILM 896 (2002).

84. ICSID Case No. ARB/98/4, Award, (Dec. 8, 2000).

85. Amco Int'l Fin. Corp v. Iran, 15 Iran-US C.T.R., at para 166.

86. Phillips Petroleum Co. Iran v. Iran, 21 Iran-US C.T.R. at para 167.

involved in the present Case,"[87] it does not call into question the applicability of the expropriation clause to the case. Also, the *White v. India* Final Award, citing *Phillips Petroleum*, held that contractual rights, whether tangible or intangible, are capable of being expropriated.[88]

Thus, it is a well-accepted proposition that intangible rights can also be expropriated. This, coupled with the recognition of IPRs as an investment, would mean that IPRs could receive protection under an IIA in theory. In the absence of case law, there have been arguments made to this effect.[89] The expropriation of IPRs will be dealt with in more detail in the next section.

There are two different standards of protection in IIAs: Relative Standards of Treatment such as MFN[90] and NT[91] and absolute

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87. *Id.* at para. 76.

88. White Indus. Austl. Ltd. v. The Republic of India, UNCITRAL, Final Award, ¶ 12.3.2 (November 2011).

89. *See* Bertram Boie, *The Protection of Intellectual Property Rights Through Bilateral Investment Treaties: Is There a TRIPS Plus Dimension?* (NCCR Trade Regulation Swiss Nat'l Ctr. of Competence in Research, Working Paper No. 2000/19 2010), who argues that the "full protection and security" provision in many BITs should apply to IPR. *See also* Carlos M. Correa, *Intellectual Property Rights as an Investment: Options for Developing Countries*, 6(2) TRANSNAT'L DISPUTE MGMT. 1 (August 2009).

90. MFN obligations are almost universally found in international trade and investment treaties. As a practical matter, MFN has been less controversial than NT as most states do not adopt measures that discriminate between foreign countries, with the exception of preferential trade and investment agreements. However some of its issues are the same as those of NT, such as the following: What is the appropriate comparator group? What are "like circumstances"? What is differential treatment and its intent? The most important issue recently has been to what extent MFN in a treaty allows for the import of a standard from another treaty, which was not agreed between the two states contesting a dispute. In one case, it was argued by an Argentinean investor that the dispute settlement procedure in Spain - Chile BIT was more favorable than the procedure agreed between Argentina and Spain and so the investor should be able to take advantage of the procedure because of the MFN clause in the Argentina-Spain BIT. The BIT between Spain and Argentina required an 18 month delay before a claim could be made under the treaty, while in the BIT between Spain and Chile, there was no such requirement. Tribunal agreed with Argentina partly on the basis that at the time of negotiations of BIT, the 18 months condition had been sought by Argentina and was not usually included in Spain's treaties as evidenced by the agreement with Chile. It supported its conclusion by noting that the overall goal of IIAs is to have favorable conditions for investment. This decision of tribunal in *Maffezini* permits claimants to cherry pick the most favorable standards from other treaties.

91. National treatment requires treatment of foreign investors that is no less favorable than treatment of investors of the host state. No less favorable does not mean the same treatment necessarily. National treatment prohibits both

standards of treatment, such as fair and equitable treatment (FET), prohibition on expropriation without compensation, and limitations on the use of performance requirements and restriction on the transfer of funds.

B. Trademark Owner as Foreign Investor and Claimant

The ability of investors from one party state to seek financial compensation from the other party state through binding arbitration on the grounds that the other party state has failed to comply with its obligations under a treaty is a particular feature of IIAs. This distinct quality fulfills investor's needs in the following ways:

- It avoids exposure of the investor to the uncertainties of a host state's laws and regulations by creating a separate treaty based set of rules to govern host state conduct.[92]
- It gives investors an alternative to the judicial system of the host state to seek relief from actions of the host state.
- Investors can determine when there has been a breach of a treaty obligation and initiate a claim.[93]
- It is unnecessary for an investor to rely on his home state espousing his claim. There may be various reasons that a state may not want to make a claim against another state in diplomatic relations.[94]

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discriminatory treatment expressed in law (*de jure*) and discriminatory treatment resulting from the application of the law in fact (*de facto*).

In terms of the benefit of NT to an investor, it offers the investor a level playing field and protects the investor from discrimination. However, for host states, it reduces the possibility of favoring domestic firms, unless exceptions or reservations are expressly introduced into agreements to allow discrimination such as is commonly done in the case of government procurement, domestic subsidies to local business or taxation etc. The U.S. Model BIT creates exclusions from MFN & NT for these kinds of government actions in addition to a general exception for security. Host states could also use a positive list, such that NT is only applicable to sectors covered in the list and not common to all.

92. Zachary Douglas, *The MFN Clause in Investment Arbitration: Treaty Interpretation off the Rails*, 2 J. INT. DISP. SETTLEMENT 97, 109 (2011).

93. Lorenzo Melchionda, *Jurisprudence arbitrale: Les tensions entre la volonté des arbitres de traiter les parties sur un pieds d'égalité et la prise en compte des intérêts de l'Etat / des collectivités concédantes.* Contrepoint [*Arbitral Jurisprudence: The Tensions Between the Arbitrator's Concerns About Treating the Parties Equally and Taking into Account the Needs of the State/or Concession Authority* — Contrepoint], 4 REVUE DE DROIT DES AFFAIRES INTERNATIONALES 336, 336-52 (2013) (Fr.).

94. THE EFFECT OF TREATIES ON FOREIGN DIRECT INVESTMENT: BILATERAL

- Finally, committing to investor-state dispute settlement could have advantages for a host state[95] as:
    - o It sends a positive signal to investors that it is committed to offering a predictable and secure investment regime.[96]
    - o It creates an incentive to develop domestic polices favorable to attracting new investment and maintaining on-going investment including policies that are predictable, certain and transparent.
    - o It locks in pro-investment, market opening reform by making it difficult to go back to change domestic policy.

The disadvantages for host states include the following:

- In investor-state arbitration, investors only pursue their commercial interest and do not bother about host state policy goals or the public interest.
- This is not like state-to–state dispute settlement, in which states may apply restraint with respect to pursuing claims. For example, states may not pursue an investor's claim against another state out of concern for their relationship with the other state or because they have measures similar to those that the investor is concerned about that they would not want challenged.[97]
- The cost of being a party to investor-state arbitration is high. Awards can be large and the costs of participating in arbitration, even if the state is successful, are significant.[98]
- Regulatory Chill – Because of the high costs of investor-state arbitration, states may be reluctant to enact measures that might be a breach of their obligations. This chilling effect is

INVESTMENT TREATIES, DOUBLE TAXATION TREATIES, AND INVESTMENT FLOWS (Karl P. Sauvant & Lisa E. Sachs eds., 2009).

95. *See* Martins Paparinskis, *Investment Treaty Arbitration and the (New) Law of State Responsibility*, 24(2) EUR. J. INT'L L. 617, 630-31 (2013).

96. *See* Jeswald W. Salacuse & Nicholas P. Sullivan, *Do BITs Really Work? An Evaluation of BITs and Their Grand Bargain*, 46 HARV. INT'L L.J. 67, 67 (2005).

97. *See* James Crawford, *International Protection of Foreign Direct Investments: Between Clinical Isolation and Systemic Integration*, *in* INTERNATIONAL INVESTMENT LAW AND GENERAL INTERNATIONAL LAW: FROM CLINICAL ISOLATION TO SYSTEMIC INTEGRATION? 23, 25 (Rainer Hofmann and Christian Tams eds., 2011).

98. Anthea Roberts, *Clash of Paradigms: Actors and Analogies Shaping the Investment Treaty System* (2012), *available at* www.iilj.org/courses/documents/Robertsclash.pdf.

exacerbated by arbitration decisions that are inconsistent and that have adopted surprising interpretations of investment obligations.[99]

- Investors cannot be made accountable for their actions in investor-state arbitration.
- Arbitration process gives rise to concerns regarding its legitimacy and democratic accountability including (a) Lack of transparency (b) Lack of access to Civil Society (NGOS) to the process (c) Lack of knowledge on the part of tribunals regarding non-investment issues related to public policy considerations such as human rights, and the environment (d) Limited knowledge on the part of tribunals about host state domestic laws and policies that must be interpreted in arbitration cases.[100]
    - Another key issue is that arbitral decisions have been inconsistent, making obligations less predictable. There is a huge debate currently regarding how to address this issue.

All the above concerns are of a serious nature and have led many states to re-consider the benefits of investor-state dispute arbitration of IIAs commitments in their present form.[101]

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99. *See* UN Conference on Trade and Development, Issues Note No. 2 *Denunciation of the ICSID Convention and BITs: Impact on Investor-State Claims*, IIA Issues Note No. 2 (December 2010), *available at* http://www.unctad.org/en/docs/webdiaeia20106_en.pdf [hereinafter UNCTAD].

100. *See* HOWARD MANN, INTERNATIONAL INVESTMENT AGREEMENTS, BUSINESS AND HUMAN RIGHTS: KEY ISSUES AND OPPORTUNITIES, 25–29 (International Institute for Sustainable Development 2008). For relevant arbitral case law, see Mondev International Ltd. v. United States of America, ICSID Case No. ARB(AF)/99/2, Award, ¶ 144 (Oct. 11, 2002); Técnicas Medioambientales Tecmed S.A. v. United Mexican States, ICSID Case No. ARB (AF)/00/2, Award, ¶ 116-22 (May 29, 2003); Azurix Corp v. The Argentine Republic, ICSID Case No. ARB/01/12, Award, ¶ 311-12 (July 14, 2006); *In the Matter of* an Int'l Arb. Under Chapter 11 of the North American Free Trade Agreement (Methanex Corp. v. U.S.), (NAFTA/UNCITRAL) Award (Aug. 3, 2005), *available at* http://www.state.gov/documents/organization/5 1052.pdf; CMS Gas Transmission Co. v. The Argentine Republic, ICSID Case No. ARB/01/8, Award, ¶ 114-121 (May 12, 2005).

101. *See* James Crawford, *International Protection of Foreign Direct Investments: Between Clinical Isolation and Systemic Integration*, *in* INTERNATIONAL INVESTMENT LAW AND GENERAL INTERNATIONAL LAW: FROM CLINICAL ISOLATION TO SYSTEMIC INTEGRATION? 23, 25 (Rainer Hofmann and Christian Tams eds., 2011).

VI. Regulating Trademark Expropriation

Every state has the right to expropriate, so long as it is for a public purpose (e.g., road or rail construction), not arbitrary or discriminatory (applicable to both foreign and domestic investors), in accordance with due process of law (i.e., in accordance with basic standards of fair procedure, proper notice, allowing access to a process to challenge the expropriation) and accompanied by adequate compensation.[102] These requirements are generally expressed either in customary international law or national laws and the only issues are what state actions constitute expropriation and what the standard for compensation is. The regime of expropriation needs to be further defined in order to explain why IPR violation can result in a breach of IIAs expropriation clause.

A. The International Regime of Expropriation

The extent of the power of expropriation is linked to how broadly investment and property are defined and treated in an IIA. A broad definition of investment that most IIAs contain includes licenses, IPRs, and other government concessions in contracts. IIAs usually refer to three kinds of expropriation or takings: Direct, Indirect, and measures equivalent or tantamount to expropriation.[103]

Direct takings or physical expropriation means that the agency or the government materially eliminates the property rights of the owner, an act that implies a deprivation of the material ownership and legal control of the owner with respect to the thing.[104] Indirect expropriation is akin to direct expropriation in terms of effects but does not necessarily entail the physical taking of the property.[105]

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102. There are two kinds of expropriation. Direct: This form of expropriation is relatively clear. It occurs when a state takes over investor's property. Indirect: Some sort of government action that substantially affects an investor's ability to use its property, but in which there is no formal transfer of property to the state. It is less clear when an indirect expropriation has taken place.

103. Relevant discussion may refer to Jan Paulsson & Zachary Douglas, *Indirect Expropriation in Investment Treaty Arbitrations*, *in* ARBITRATING FOREIGN INVESTMENT DISPUTES, PROCEDURAL AND SUBSTANTIVE LEGAL ASPECTS 145, (Norbert Horn ed., 2004).

104. Críspulo Marmolejo Gonzâlez, *Regulatory Takings: A Real Globalization of Property Rights?*, Latin American and Caribbean Law and Economics Association, 12th Annual Law and Economics Meeting (2008), http://works.bepress.com/ crispulo_m armolejo_gonzalez/26.

105. MUTHUCUMARSWAMY SORNARAJAH, THE INTERNATIONAL LAW ON FOREIGN INVESTMENT 182 (2010).

Measures tantamount, or equivalent, to expropriation, refer to regulatory takings that can be very broad, with profound implications.

Contracting parties to IIAs undertake not to resort to expropriation unless it is non-discriminatory, for a public purpose, compensable (prompt, adequate and effective), and done in accordance with due process. Expropriation that does not conform to the above conditions is considered a breach of treaty obligations, and compensation could be aggravated in cases of proscribed expropriation.

The broad definition of expropriation through "measures tantamount or equivalent to expropriation" means that all government measures, policies, and state laws that affect foreign investment in any way could be regarded as expropriation. In *Metalclad*,[106] the NAFTA tribunal confirmed this understanding and held that expropriation need not be open and deliberate, but could also be covert or incidental interference that deprives the owner of the economic benefit of his property.

Regarding indirect expropriations, IIAs must balance between a state's right to regulate for legitimate reasons without having to compensate an investor *and* to protect an investor from losing substantial benefits of his property.[107] The treaty needs to address the issue of whether a government regulation, even a *bona-fide* one enacted for a public purpose, had a substantial deprivation effect on an investor, to the extent that the regulation could be considered an "indirect expropriation" and trigger an obligation to pay compensation. The answers from arbitral cases are inconsistent. Canadian FIPA model Annex B.3(1) expressly describes what an indirect expropriation is. The Canadian model says that an indirect expropriation is a measure or a series of measures that have an effect equivalent to direct expropriation, followed by details of the list of factors to be considered.[108]

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106. *Metalclad Corp. v. The United Mexican States*, ICSID Case No. ARB(AF)/97/1, ¶ 103 (August 20, 2000).

107. Rachel D. Edsall, *Indirect Expropriation under NAFTA and DR-CAFTA: Potential Inconsistencies in the Treatment of State Public Welfare Regulations*, 86 B.U. L. REV. 958, 958–59 (Oct. 2006).

108. The Parties confirm their shared understanding that: a) Indirect expropriation results from a measure or series of measures of a Party that have an effect equivalent to direct expropriation without formal transfer of title or outright seizure; b) The determination of whether a measure or series of measures of a Party constitute an indirect expropriation requires a case-by-case, fact-based inquiry that

The discussion of expropriation cannot be complete without addressing the issue of the correct compensation standard. One common way in which the standard [for correct compensation] is expressed is prompt (without delay), effective (referring to the form in which it is paid which means, generally, a convertible currency) and adequate (fair market value, book value, or sometimes accounting value). The other compensation standard advocated by some developing countries is appropriate or equitable compensation that is generally understood to represent a lower standard that takes into account the host country's ability to pay.[109] Investors may not like this definition because it is less certain and less likely to fully compensate them for losses. Another issue is whether damages should be reduced if an investor has not taken steps to mitigate its loss.[110]

B. Determining an Indirect Expropriation of the Trademark Owner

Thus, for an investor to proceed against a host state, he must be able to make out a case for expropriation based on the recognition of his investments. But initiating and succeeding in an investment claim against a host state based on the violation of IP is tricky given the obligations the state may have under TRIPS. Even if it is established that IPRs constitute an investment, it would be meaningless unless it can be enforced against the host state. Under the BIT regime, the state cannot be sued unless it actively participates in the violation of an investor's property rights. However, most IP violations, e.g., piracy, counterfeiting, are the acts of private parties rather than the

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considers, among other factors: i) The economic impact of the measure or series of measures, although the sole fact that a measure or series of measures of a Party has an adverse effect on the economic value of an investment does not establish that an indirect expropriation has occurred; ii) The extent to which the measure or series of measures interfere with distinct, reasonable investment-backed expectations; and iii) The character of the measure or series of measures; c) Except in rare circumstances, such as when a measure or series of measures are so severe in the light of their purpose that they cannot be reasonably viewed as having been adopted and applied in good faith, nondiscriminatory measures of a Party that are designed and applied to protect legitimate public welfare objectives, such as health, safety and the environment, do not constitute indirect expropriation.

109. Norah Gallagher & Wenhua Shan, CHINESE INVESTMENT TREATIES, POLICIES AND PRACTICE §8.49 & § 8.65 (2009).

110. The last thing to address is whether this obligation of compensation for expropriation should be subject to reservation or exceptions. It may be argued on the investors' side that, where there has been an expropriation, some obligation to compensate is required.

state. Though there may be some cause in the state omitting its obligation to adequately protect IPRs, unless the state fails to fulfill its TRIPS obligations, it is hard to find a cause of action.

This is because TRIPS represents a minimum level of necessary compliance obligations with regard to the enforcement of IPRs that do not go beyond the establishment of a procedure for redressing violations of IPRs. Courts and tribunals will be unwilling to impose any obligation beyond TRIPS standards. Even if a state implicitly allows for mass piracy, the investor is not on strong ground in claiming expropriation because the state is not taking away the investor's title to the property and the investor has no cause of action in the state's omission. Compulsory Licenses and plain packaging on the other hand represent a closer convergence of TRIPS regime and BITs. However, these issues are dealt with in greater detail later in the paper.

VII. Treating Trademark Owners Fairly and Equitably

If the violation of IPRs should lead to an investment claim, we believe that the violation of the FET standard is the most likely claim to succeed. Although the FET standard is not new in International Investment Law, there is no precise, unified, normative definition of FET. FET is one of the most controversial clauses in International Investment Law, and is applied differently by different arbitrators. This is probably because wording of such clauses is not uniform as many countries draft their own version of FET clauses. According to the UNCTAD survey on FET, there are seven different categories of FET provisions.[111] Each of these FET clauses would have their own conception of what the FET standard should constitute. Arbitrators on the other hand have not developed a standardized methodology to interpret FET. The most common notion of the FET standard is that it is designed to provide protection, security, stability and predictability. In general, BITs have two different approaches to FET clauses. In the former approach, FET is drafted as an autonomous standard, while in the latter, FET is subordinated to customary international law.[112] These different approaches are the source of divergent interpretations of the FET standard in IIAs.

111. UNCTAD, *supra* note 99.

112. Rudolf Dolzer, *The Impact of International Investment Treaties on Domestic Administrative Law*, 37 N.Y.U. J. INT'L L. & POL. 953, 953 (2005).

A. Fair and Equitable Treatment Generous Protection

There are two divergent approaches to the interpretation of FET.[113] This is evidenced from two differing decisions given on the same set of facts by arbitral tribunals in 2001.[114] In *Lauder v. Czech Republic*,[115] a tribunal held that FET was limited to the minimum standard of customary international law; while in *CME v. Czech Republic*, the superiority of FET was emphasized.[116] In *Lauder*, FET was interpreted according to the precedent in customary international law.[117] But in *CME*, the tribunal held that FET is not limited by customary international law, but is an independent standard that should be interpreted according to international law principles.

Almost all investment claims invoke the FET obligation because it covers a broad area of relations and because FET can relate to all kinds of governmental action--including indirect expropriation. It is also convenient to argue from the point of violation of FET standards in disputes.[118] If FET is held to be an independent standard, as in CME, its scope is widened and it gives more discretion to arbitrators.[119] Some tribunals have noted the concern of countries with an independent standard, but were reluctant to limit the FET standard to customary international law. The question that follows is what constitutes legal grounds for an autonomous FET standard and

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113. Glamis Gold Ltd. v. United States of America, ICSID, Award, ¶ 606 (June 8, 2009).

114. Rudolf Dolzer, *Fair and Equitable Treatment: A Key Standard in Investment Treaties*, 39 INT'L LAW. 87, 94 (2005).

115. Ronald S Lauder v. Czech, UNCITRAL, Final Award (September 3, 2001), *available at* http://www.italaw.com/sites/default/files/case-documents/ita0451.pdf.

116. *CME v Czech*, Case T 8735-01, ¶155, (September 13, 2001) (expert opinion of Professor Sacerdoti).

117. *See also* Loewen Group, Inc., ICSID Case No. ARB (AF)/98/3, ¶ 128 (June 26, 2003), *available at* http://www.tjsl.edu/slomansonb/Loewen.pdf, (where the tribunal found that the FET in Article 1105 of NAFTA, and full protection and security were not free-standing obligations but were obligations to the extent that they are recognized by customary international law).

118. Dolzer, *Fair and Equitable Treatment*, *supra* note 114, at 87.

119. Some scholars support an approach to interpretation of FET as an autonomous standard. Among them is F.A. Mann who said FET is an 'overriding obligation.' Patrick G. Foy and Robert J. C. Deane, commenting on this position, noted that a tribunal would not be concerned with a minimum, maximum or average standard. It will have to decide, taking into account all circumstances of the case, whether it is fair and equitable. *See* OECD *Fair and Equitable Treatment Standard in International Investment Law*, INTERNATIONAL INVESTMENT LAW: A CHANGING LANDSCAPE 73, 101 (2005), *available at* http://www.oecd.org/dataoecd/11/52/40077877.pdf.

whether arbitrators can rely on this standard in addition to customary international law.[120]

An autonomous approach to the interpretation of FET is valid due to its specificity. Since FET covers all kinds of relations, its development creates new relations and leads to the appearance of new concepts in international investment law. Thus, arbitrators have to make decisions taking into account numerous facts and details, and considering customary international law (while not being limited by its boundaries). An instance of this was evident in *MTD v. Chile*, which held that "the meaning of what is fair and equitable is defined when that standard is applied to a set of specific facts."[121] Since there was no reference to customary international law in the BIT in relation to FET, the tribunal had to interpret it in accordance with the norms established by the Vienna Convention on the Law of Treaties (VCLT).[122]

The justification for a strict, autonomous FET standard is based on the fact that foreign investors face the risk of abuse, discrimination, and less favorable treatment than domestic or other companies. Without an effective FET clause, they will be exposed to many obstacles. Further, such investors cannot simply move their investments to another country because this is very expensive, especially in the case of "long-term investments."[123] Appealing against the host state's actions is not an easy process and requires great financial resources, as well as considerable time and investigation. Investors need protection not only from grossly unfair treatment by host states, but also from indirect actions that could cause deterioration

120. TECMED S.A. v. The United Mexican States, ICSID Case No. ARB (AF)/00/2, ¶ 155 (May 29, 2003) (held that FET should be interpreted according to international law as an autonomous standard that is free standing and not limited by the concept of minimum standard of customary international law. Extended applicability of the FET stems from the basic goals of the treaty and goes beyond the boundaries of custom established in international law). Glamis v. U.S., NAFATA, http://italaw.com/documents/Glamis_Award.pdf (admitted that some tribunals expanded FET 'beyond customary international law, lead their reviewing tribunals into an analysis of the treaty language and its meaning, as guided by Article 31(1) of the Vienna Convention'). In *OEPC v. Ecuador*, Case No. UN 3467, based on a BIT's preamble, FET standard was held to be a 'free-standing requirement.'

121. MTD Equity Sdn. Bhd. & MTD Chile S.A. v. Republic of Chile, ICSID Case No. ARB/01/7, Award, ¶ 109. n61 (May 25, 2004) (quote from Judge Schwebel).

122. *Id.* ¶¶ 111, 112.

123. Dolzer, *Fair and Equitable Treatment*, *supra* note 125, at 114.

in an investor's position and are not obvious or "egregious."[124] Thus, it may seem that expectations of investors are not justified due to these "invisible" actions.[125]

However, in *Pope & Talbot*, FET was found to be independent of, rather than limited by, the phrase "treatment in accordance with international law" and hence the minimum standard of customary international law. [126] Arbitrators must not be concerned with minimum or maximum levels of violation and should instead use FET to censure all inappropriate behavior.[127]

FET is as new as investment law and its jurisprudence is evolving. There is an opinion that modern FET was created by arbitrators to deal with investment disputes. When tribunals have to deal with the wide range of relations, conduct, and practice covered by FET, arbitrators have no choice but to refer to the VCLT. As the FET standard develops in practice, the treaty based autonomous FET itself becomes a part of customary international law.[128] However some scholars claim that it is unclear if the FET standard is a part of customary international law at this point in time.[129] Due to its multifaceted nature and the diversity of claims, FET has already been interpreted and applied independently in practice by different tribunals. FET can be interpreted according to customary international law, but there are cases when it is difficult to find a suitable practice or custom.[130] The 1926 Neer case[131] has been commented on so often that

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124. Pope & Talbot Inc. v. Gov't of Canada, NAFTA Arb. Trib., Award in Respect of Damages, ¶ 57 (May 31, 2002).

124. *Id.*

124. *Id.*

125. Andrew P. Tuck, *The 'Fair and Equitable Treatment' Standard Pursuant to the Investment Provisions of the U.S. Free Trade Agreements with Peru, Colombia and Panama*, 16 LAW & BUS. REV. AM. 385 (2010).

126. *Id.*

127. *Robert M. Ziff, The Sovereign Debtor's Prison: Analysis of the Argentine Crisis Arbitrations and the Implications for Investment Treaty Law,* 10 RICH. J. GLOBAL L. & BUS. *345 (2011).*

128. Ioana Tudor, *The Fair and Equitable Treatment Standard in the International Law of Foreign Investment*, 20 EUR. J. INT'L L. 237 (2008).

129. Raphael De Vietri, *FET for Foreign Investment: What Is The Current Standard at International Law.* 14 INT'L TRADE & BUS. L. REV. 414 (2011).

130. In such cases, the task is even more demanding as the standard has to be developed *ab novo* in the absence of any rule or precedent in any other field of international law. Dolzer, *Fair and Equitable Treatment, supra* note 114, at 105.

131. (1926) 4 R.I.A.A. 60. The case brought before the U.S.- Mexico General Claims Commission related to the murder of a US national in Mexico, where the

physical security issues considered by it have evolved to handle contemporary investment relations.[132] Evolution of the jurisprudence of FET will blur the line between customary international law and autonomous FET standard.

The debate on an independent FET standard is due to divergence of FET provisions in IIAs. NAFTA and some BITs determine FET by the minimum standard of treatment in customary international law.[133] But many IIAs neither specify the FET standard nor refer to customary international law. If there is no identical precedent in previous decisions or custom, the only way to solve a dispute is to weigh facts and apply FET as per its ordinary meaning. If there are no indications to the contrary, "the better view is to give it an autonomous meaning."[134] Concerns over an independent FET are natural as it gives arbitrators wide discretion. This is especially so if it is not clear whether FET relates to all provisions of an agreement. If FET relates to all provisions, it may "restrict host state regulatory control."[135] If not, arbitrators are in the best position to decide investment claims by considering the peculiarities of a certain case without limiting themselves to the frame of unsuitable precedents.[136]

Even in NAFTA's jurisprudence, FET has been applied independently without the limitation of customary international law.[137] So, it is hard to conclude that an autonomous FET gives too much discretion to arbitrators only because the separating line between independent FET and FET-related customary international law becomes difficult to discern. An evolving FET will narrow the

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claimant alleged the authorities had failed to show due diligence in prosecuting the criminals. It was one of the first case to address issues of denial of justice, fair and equitable treatment, and minimum standard of treatment.

132. ADF Group Inc. v. United States of America, ICSID Case No. ARB(AF)/00/1, Award, ¶ 184 (Jan. 9, 2003) (The tribunal held that " . . . FET must be disciplined by being based

133. Glamis Gold Ltd. v. U.S., NAFTA/UNCITRAL, Award, ¶ 19 (June 8, 2009).

134. Christoph Schreuer, *Fair and Equitable Treatment in Arbitral Practice*, 6(3) J. WORLD INV. & TRADE 357, 385 (June 2005).

135. Asha Kaushal, *How the Past Matters for the Present Backlash Against the Foreign Investment Regime*, 50 Harv. Int'l L.J. 491, 511 (2009).

136. This view must be understood with the knowledge that a custom is applied when cases have similar or related issues.

137. David A. Gantz & David D. Caron, *Pope & Talbot, Inc. v. Canada*, 97(4) AM. J. OF INT'L L. 937 (Oct. 2003).

discretionary space available to the host state.[138] To avoid this, states should clarify the FET standard based on existing practice.

B. Determining a Breach of FET

Investors could be encouraged to file an investment claim based on the breach of FET since tribunals have discretion in interpreting the standard. Tribunals are not confined to the boundaries of customary international law in interpreting the standard. Since there have been no reported cases on this issue, or a tribunal adjudicating IPR claims, and since IPRs are intangible property, a prospective tribunal must be creative in placing an obligation on the state (if any at all) within the confines of an IIA.

The difficulty in framing an investment claim based on a violation of IP is that most IP violations are made by private individuals rather than the state. In such a case, it is hard to trace the obligation back to the state. However, Boie argues that IPRs can be protected under the "full protection and security" clause found in many BITs. This type of clause has been interpreted by tribunals to mean the adoption of reasonable measures to protect investors from physical harm and violence from police and security forces.[139] However, Mendenhall[140] points out that this obligation is not a strict liability but due diligence. He uses the precedent in *Lauder*[141] that excluded the obligation of tates to provide full protection and security from acts that cannot be attributed to the state.

There is also the question of whether the full protection and security obligation extends to intangible assets. This clause has been interpreted to mean the protection of the "physical integrity of an investment against interference by use of force."[142] However, both Mendenhall and Boie cite the *Siemens*[143] case, which extended the obligation beyond mere physical protection. Yet, Mendenhall notes that the clause in *Siemens* was peculiar and referred to "full

138. Dolzer, *Fair and Equitable Treatment*, *supra* note 114, at 105.

139. Boie, *supra* note 89, at 37.

140. James E. Mendenhall, *Fair Treatment of Intellectual Property Rights Under Bilateral Investment Treaties*, 6(2) TRANSNAT'L DISP. MGMT. 13 (Aug. 2009), *available at* http://www.transnational-dispute-management.com/article.asp?key=1452.

141. *Id.* at 9.

142. *Id.* at 10.

143. Siemens v. Argentine Republic, ICSID Case No. ARB/02/8, Decision on Jurisdiction, (Feb. 6 2007).

protection and legal security" rather than mere physical security. Despite this, he argues that to restrict the full protection and security obligation to physical assets would be too rigid and without any principled basis. He instead submits that where the BIT did not make a distinction between tangible and intangible assets, the protection should apply equally to both.[144] The analysis most relevant to our present study is presented by Voon and Mitchell[145] in their analysis of Phillip Morris' claim against Australia. Noting the precedent in *AES Summit v. Hungary*,[146] they posit that the clause cannot be used to limit the right of a state to legislate and frame policy. Biadgleng on the other hand disagrees with the use of the full protection and security clause for intangible assets, based on the U.S. Model BIT, which clarifies that the provision should only apply to the exercise of police power.[147] He further argues that the FET standard is more useful in cases based on IPRs because the state, under the due process obligation, has to make procedures for the protection of IPRs available.[148] In a point, also made by Voon and Mitchell, Biadgleng alludes to the fact that the full protection and security obligation itself is sourced from the FET standard and is meaningless with respect to IPR.[149] Further, he allays fears of investors using IIAs for ordinary breach of IPRs by pointing out that FET can only be used when the host state adopts policies that are an abuse of due process and are discriminatory.[150]

An area in which the acts of a state can amount to expropriation of IPRs is that of Compulsory Licenses. Since the state does not transfer the IP to itself, a Compulsory License is not a direct expropriation; it can be classified as an indirect expropriation because it could deprive the investor of his interest in the property. Building

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144. Mendenhall, *supra* note 140, at 10.

145. Tania Voon & Andrew Mitchell, *Time to Quit? Assessing International Investment Claims Against Plain Tobacco Packaging in Australia*, 14(3) J. INT'L ECON. L. 515, 536 (2011). *See also* Mercurio, *Plain Packaging of Tobacco Products*, *supra* note 12.

146. AES Summit Generation v. Hungary, ICSID Case No. ARB/07/22, Award, ¶ 13.3.1 (Sept. 17, 2010).

147. Ermias Tekeste Biadgleng, *IP Rights Under Investment Agreements: The TRIPS Plus Implications for Enforcement and Protection of Public Interest*, at 26 (S. Ctr. Research Papers, No. 8, 2006).

148. *Id.*

149. *Id.*; Voon and Mitchell, *supra* note 145, at 537.

150. Biadgleng, *supra* note 147, at 537.

on Paulson and Douglas,'[151] two stages of expropriation, Gibson sets out a three stage test to assess if a Compulsory License amounts to indirect expropriation: (1) Does the level of deprivation constitute a taking? (2) Does it rise to the level of an indirect expropriation? (3) What is the character of the Government action? He argues that the third stage is crucial in the case of Compulsory Licenses because TRIPS describes grounds on which a Compulsory License may be issued. In such cases, a claim for compensation cannot succeed.[152] If the Compulsory License is not TRIPS compliant, Gibson finds that Article 31(h), which requires the state pay adequate compensation, can be used to decide a claim of indirect appropriation.[153] On similar lines, Correa's criteria for compulsory licenses is that they should be deemed to be an indirect expropriation unless (a) the state has complied with the customary principle of fair and equitable treatment, (b) the grant serves a public interest, and (c) compensation is provided under the rule of "prompt, adequate, and effective compensation."[154] While there is speculation as to which standards should apply to an IP claim in a BIT and whether it will be successful, the lack of precedent in over 50 years since the first BIT is a mitigating factor in such analysis. Another, more significant rationale for the lack of cases in this area, is the fact that IPRs are internationally administered by TRIPS, and resorting to an investment claim raises questions of overlapping regulation. The next section reframes this question in the context of TRIPS and the dispute resolution mechanism available under the WTO.

VIII. Conclusion

TRIPS represents the international consensus with respect to the administration of IPRs. It was meant to create a global minimum standard for the protection and enforcement of IPRs across borders. For many reasons, it has been unable to accomplish this goal and today TRIPS, as an agreement, lacks finality. TRIPS incorporates the important provisions of National Treatment and MFN in Articles

151. Christopher S. Gibson, *A Look at the Compulsory License in Investment Arbitration: The Case of Indirect Expropriation*, 25 AM. U. INT'L L. REV. 357, 382 (2010). *See infra Gibson* note 153, citing Paulsson & Douglas, *supra* note 103, at 145–46.

152. *Id.* at 383–89.

153. Christopher S Gibson, *A Look at the Compulsory License in Investment Arbitration: The Case of Indirect Expropriation,* 6(2) TRANSNAT'L DISP. MGMT

154. Correa, *supra* note 50, at 14–16.

3.1 and 4 respectively, but it does not contemplate an enforcement mechanism for these standards as illustrated by the *United States — Section 211 Omnibus Appropriations Act of 1998* dispute. Instead, it lays down guidelines for such an enforcement mechanism, many of which are optional. The design of the actual enforcement processes is left to the discretion of the state. In this regard, our study of the *United States — Section 211 Omnibus Appropriations Act of 1998* case leads to the conclusion that TRIPS only offers very limited protection to foreign owners of trademarks.

While TRIPS itself is an achievement in terms of establishing a semblance of a global IP regime, IIAs offer trademark owners a better option for enforcing IPRs. FET, NT, and MFN are well established standards in IIAs, the breach of which can be used as a cause of action against a host state. Basically, IIAs subject states to a high degree of exposure from foreign owners of trademarks. Conversely, we can only conclude that trademarks' foreign owners should look rather at the potential broad definition of investment in the IIAs instead of at the timid promises of TRIPS. Of course, not all countries are bound by an investment treaty, but the basic treaty MFN provision may trigger the requested international protection for the benefit of many trademarks owners.

In this connection, the dispute between Philip Morris and Australia may open new grounds. Should the arbitral Tribunal favor a broad interpretation of the definition of investment and opines that trademarks have to be protected under the treaty, it would send a strong signal to the business community that IIAs are likely to play a great role in the protection of trademarks. In any case, a role which is greater than TRIPS. It would be an irony in the history of international economic law to have an international IP treaty less relevant to trademark owners than investment treaties.

Such a very likely outcome, however leads to a fundamental question with far reaching implications on the policy side: From the public policy point of view, should trademark and, more broadly, intellectual property, be included in the definition of investment in IIAs? The question for host states that are members of the WTO is: When TRIPS obligations are already in place, why add an additional obligation regarding the protection of intellectual property in an investment treaty? The rationale to include IPRs from an investor's point of view is that they represent an increasing proportion of the value of investments. Also, weak implementation by developing countries has meant that the inclusion of IPRs in IIAs as a kind of investment is important for investors. Including IPRs in the definition of investment secures the rights of investors but exposes host state's IP measures to treaty obligations and investor state dispute settlement. This may provide much greater assurance of compliance than state-to-state dispute settlement under TRIPS.

The other issue, after the decision to include IP in the definition, is how IP should be included. For example, should stand alone IP rights be protected? Should IIAs protect patents in an industrial process or copyrights in an artistic work alone or only if they are related to another form of investment? Should certain kinds of IPRs be excluded from the definition, like traditional knowledge, which is not even included in TRIPS? One approach is to protect only those that are in accordance with domestic law. Another approach is to include the IP in the definition of investment, but go on to provide specific exceptions to preserve specific kinds of policy flexibility for host states.[155] For example, in the U.S. and Canadian BITs, compulsory licensing of patents for pharmaceuticals is excluded from the obligation prohibiting expropriation without compensation. Similarly, these models allow derogations from MFN & NT that are permitted under TRIPS. State actions that are permitted by these exceptions are not considered a breach of treaty.

155. *See* Julien Chaisse, *Exploring the Confines of International Investment and Domestic Health Protections – Is a General Exceptions Clause a Forced Perspective* *39 AM. J.L. & MED. 332* (2013).

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